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**Great Nation vs. Great Country: South Korea and Brazil Following
Different Pathways**

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**Great Nation vs. Great Country: South Korea and Brazil Following
Different Pathways**

**Grande Nação vs. Grande País: Coreia do Sul e Brasil Seguindo por
Distintos Caminhos**

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**GREAT NATION VS. GREAT COUNTRY: SOUTH KOREA AND BRAZIL
FOLLOWING DIFFERENT PATHWAYS**

**GRANDE NAÇÃO VS. GRANDE PAÍS: COREIA DO SUL E BRASIL SEGUINDO
POR DISTINTOS CAMINHOS**

A dissertation presented to the Department of Latin American Studies (ELA) of the University of Brasília (UnB), as a partial requirement for obtaining a doctoral degree in Social Sciences, under the guidance of Professor Dr. Moises Villamil Balestro and Professor Dr. Antonio José Junqueira Botelho.

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ABSTRACT

This dissertation aims to make sense of an alleged puzzle conformed by the outcomes of the socio-economic, industrial, and technological developmental paths of South Korea and Brazil from the 1960s until the 1970s. Departing from different backgrounds in regard to their industrial capacity, infrastructure, per capita income, external threats, and natural resources, then greatly favoring Brazil, a few decades later they exhibited contrasting outcomes, now greatly favoring South Korea. It employs a process-tracing methodology to study their developmental trajectories as a function of ideological, institutional, and political factors and arrangements. It assumes that ideas matter and, particularly, when combined with history and institutions, are critical explanatory elements in a transformational process. The historical institutionalist analytic framework adopted is enriched by integration with the organized capitalism and the developmental State approaches. The dissertation concludes that the diverse outcomes at the end of the 1970s, when a new long-term differentiation pattern sets in, were mainly due to unique views and implementation of economic nationalism and nation-building ideas in each, which conjured gradually more contrasting development agendas as the period progressed. Further, the respective power bloc's disputes comprised the political arena where policies and State-business arrangements accommodated.

Keywords: South Korea; Brazil, Economic Nationalism; Historical Institutionalism; Organized Capitalism; Developmental State.

RESUMEN

Esta tesis tiene como objetivo comprender un supuesto enigma que involucra el desarrollo socioeconómico, industrial y tecnológico observado en Corea del Sur y Brasil entre las décadas de 1960 y 1970. Los recursos naturales, favoreciendo en gran medida a Brasil, estos dos países terminaron presentando resultados diferentes algunas décadas después, bastante favorables. a Corea del Sur El estudio recompone sus trayectorias de desarrollo de acuerdo con factores y arreglos ideológicos, institucionales y políticos. El supuesto teórico es que las ideas importan tanto o más que las acciones y, cuando se combinan con la historia y las instituciones, son elementos explicativos críticos en cualquier proceso de transformación. La investigación concluye que los diferentes resultados observados para Corea del Sur y Brasil a fines de la década de 1970, que iniciaron un patrón de diferenciación socioeconómica y tecnológica a largo plazo a partir de entonces, se deben principalmente a la operacionalización de estándares, aspectos específicos del nacionalismo económico y la nación. construyendo, configurándose en diferentes Estados desarrollistas en el período. Junto a estos factores, las disputas por bloques de poder se sitúan en la arena política donde se acomodaron políticas públicas y arreglos Estado-empresa. La tesis se ancla en el institucionalismo histórico y se enriquece con aportes teóricos del capitalismo organizado y el Estado desarrollista. En cuanto al método, el rastreo de procesos realizó los análisis.

Palabras clave: Corea del Sur; Brasil, Nacionalismo Económico; Institucionalismo Histórico; Capitalismo Organizado; Estado Desarrollista.

RESUMO

Esta tese visa compreender um suposto enigma envolvendo o desenvolvimento socioeconômico, industrial e tecnológico observado na Coreia do Sul e no Brasil entre as décadas de 1960 e 1970. Com antecedentes tão distintos quanto às suas capacidades industriais, infraestrutura, taxa de renda, ameaças externas e recursos naturais, favorecendo enormemente o Brasil, esses dois países acabaram algumas décadas depois apresentando resultados distintos, bastante favoráveis a Coreia do Sul. O estudo recompõe suas trajetórias de desenvolvimento em função de fatores e arranjos ideológicos, institucionais e políticos. O pressuposto teórico é que ideias importam tanto ou mais que ações e, quando combinadas com a história e as instituições, são elementos explicativos críticos em qualquer processo transformacional. A pesquisa conclui que os diferentes resultados observados para a Coreia do Sul e o Brasil no final da década de 1970, que iniciaram um padrão de diferenciação socioeconômico e tecnológico de longo prazo a partir de então, devem-se, principalmente, a operacionalização de padrões específicos de nacionalismo econômico e nation-building, configurando-se em diferentes Estados desenvolvimentistas no período. Ao lado desses fatores, as disputas envolvendo blocos de poder situam-se na arena política onde se acomodavam políticas públicas e arranjos Estado-empresariais. A tese ancora-se no institucionalismo histórico e é enriquecida com aportes teóricos oriundos do capitalismo organizado e do Estado desenvolvimentista. Quanto ao método, o process-tracing conduziu as análises.

Palavras-chave: Coreia do Sul; Brasil, Nacionalismo Econômico; Institucionalismo Histórico; Capitalismo Organizado; Estado Desenvolvimentista.

LIST OF ACRONYMS

- ALRAA** – Agricultural Land Reform Act
- BNDE** - National Bank for Economic Development (Brazil)
- DAC** - Development Assistant Committee
- DGB** - Federation of German Trade Unions (*Deutscher Gewerkschaftsbund*)
- DS** – Developmental State
- DSN** - National Security Doctrine
- ECLAC** - Economic Commission for Latin America and the Caribbean
- EDCF** - Eximbank Economic Development and Cooperation Fund
- ELA** - Department of Latin American Studies
- ENAP** - National School of Public Administration (Brazil)
- EOI** – Export-Oriented Industrialization
- EPB** - Economic Planning Board (South Korea)
- ESG** - Superior War School
- FDI** - Foreign Direct Investment
- FGTS** - Employment Compensation Fund (Brazil)
- FGV** – Getúlio Vargas Foundation
- FIK** - Federation of Korean Industries
- GDP** – Gross Domestic Product
- GM THEORY** - Governed Market Theory
- HCI** – Heavy and Chemical Industries
- IBGE** - Brazilian Institute of Geography and Statistics
- INCRA** - National Institute of Colonization and Agrarian Reform (Brazil)
- IPM** - Military Police Inquiries
- ISI** – Import-Substitution Industrialization
- KCIA** - National Intelligence Service (South Korea)
- KOICA** - Korea International Co-operation Agency
- KOSIS** - Korean Statistical Information Service
- MCI** - Ministry of Commerce and Industry (South Korea)

MOBRAL - Brazilian Literacy Program

MoF - Ministry of Finance (South Korea)

ODA - Official Development Assistance

OECD - Organization for Economic Co-operation and Development

PASEP - Public Servant Asset Formation Program

PCH – Park Chung Hee

PIN - National Integration Program

PIS - Social Integration Program

PND - National Development Plan (Brazil)

POSCO - Pohang Iron and Steel Company

PPGECsA - Graduate Program in Comparative Studies of the Americas

PRÓ-RURAL - Economic and Territorial Development Program

PROTERRA - Program for Redistribution of Lands and Incentive to Agroindustry in the North and Northeast

UnB - Universidade de Brasília

UNKRA – United Nations Korean Reconstruction Agency

USD – United States Dollar

VoC - Varieties of Capitalism

UNO – United Nations Organization

CHART LIST

| | |
|--|-----|
| CHART 1: Methodological steps..... | 53 |
| CHART 2: Analytical limitations of current explanations of South Korea's developmental puzzle | 125 |

TABLE LIST

| | |
|--|-----|
| TABLE 1: Percentage shares of GNP (1970 prices) by sector | 141 |
| TABLE 2: Net Borrowing, Direct Investment, Debt Service, and Export Earnings, 1965-1975 (USD millions)..... | 147 |
| TABLE 3: Compound annual growth rates (percent) | 149 |
| TABLE 4: Changes in South Korea Manufacturing Output 1960-1980..... | 155 |
| TABLE 5: Comparisons of planned Targets and performance (1962-1981) (unit real annual growth rate; %). | 158 |
| TABLE 6: External Indicators (medium values)..... | 159 |
| TABLE 7: South Korea's economic indicators (1953-1981). | 161 |
| TABLE 8: South Korea GDP growth and foreign indicators per Plans (1962-1981)..... | 166 |
| TABLE 9: South Korea GNP per capita and Annual Growth Rate (%)..... | 167 |
| TABLE 10: Historical trends of Korea's income distribution measured by the Gini coefficient..... | 168 |
| TABLE 11: Income distribution in South Korea by Choo et al. (Gini Coefficient) | 169 |
| TABLE 12: South Korea Poverty Ratio (%). | 170 |
| TABLE 13: Income distribution in South Korea by Kim and Ahn (1987) (Gini Coefficient). | 171 |
| TABLE 14: South Korea Balance of payments, FDI, foreign aid, external debt (1953-1991)..... | 183 |
| TABLE 15: Social Welfare Budget and Tax Burden Rate in OECD Countries (in % of GDP). | 186 |
| TABLE 16: Largest chaebols in 1960..... | 196 |
| TABLE 17: Contribution to value added by conglomerates. | 199 |
| TABLE 18: South Korea: Major Economic Indicators, 1955-75. | 201 |
| TABLE 19: Korea's exports, 1957-1970 (million current dollars). | 203 |
| TABLE 20: Export of new items 1969-1970 (thousand current dollars)..... | 205 |
| TABLE 21: Exports 1957-1970 (thousand dollars). | 205 |
| TABLE 22: Brazilian share in world coffee production - 1900 to 1998 (in thousand sacs of 60 kg). | 239 |
| TABLE 23: Brazil GDP per capita accumulated growth per decade. | 240 |
| TABLE 24: Brazilian GDP growth, population, GDP per capita (1934-1937). | 244 |
| TABLE 25: Brazil sectoral indices of the Real Product, 1934-1937 (1939 = 100). | 244 |
| TABLE 26: Brazilian GDP growth, population, GDP per capita (1945-1960 and 1961-1967).... | 249 |
| TABLE 27: Brazilian GDP growth, population, GDP per capita (1945-1960 and 1961-1967).... | 249 |
| TABLE 28: Brazilian GDP growth, population, GDP per capita (1968-1985). | 252 |
| TABLE 29: Global Tax Burden — 1960/87 (BRAZIL). In GDP %..... | 259 |
| TABLE 30: Brazil - Number of State companies created between 1964 and 1985 (see Endnote 4 for some examples)..... | 271 |
| TABLE 31: Income Inequality in South Korea and Brazil 1950-2000..... | 286 |
| TABLE 32: South Korea and Brazil Laborer's Real Wage. | 288 |
| TABLE 33: Brazil - Concentration index variation 1960 and 1970..... | 330 |
| TABLE 34: Brazil - Comparative Table Plans Programed GDP increase and outcome. | 331 |

FIGURE LIST

| | |
|---|-----|
| FIGURE 1: Evolution of GDP per capita (South Korea) | 141 |
| FIGURE 2: Evolution of inflation rate in South Korea (1952-2-10)..... | 143 |
| FIGURE 3: Exchange rate Won -USD (1952-1980)..... | 144 |
| FIGURE 4: South Korea comparative GDP, GDP per capita, and annual growth (%) 1962-2020. | 167 |
| FIGURE 5: GNP per capita 1960-2018. South Korea and Brazil..... | 172 |
| FIGURE 6: Human Development Index – Brazil and South Korea 1950-2015..... | 172 |
| FIGURE 7: Top 1% fiscal income share, South Korea, 1933-2016. | 173 |
| FIGURE 8: South Korea and Brazil: the export-led orientation vis-à-vis dependence on foreign savings. | 179 |
| FIGURE 9: South Korea GDP per hour worked in current USD, PPP adjusted, 1970 – 2020..... | 187 |
| FIGURE 10: South Korea household consumption as percent of GDP, 1960 – 2020. | 188 |
| FIGURE 11: South Korea Inflation percent change in the Consumer Price Index, 1960 – 2020. | 189 |
| FIGURE 12: South Korea energy use per capita, 1971 – 2015. | 189 |
| FIGURE 13: South Korea life expectancy..... | 190 |
| FIGURE 14: South Korea public spending on education. | 191 |
| FIGURE 15: Development vectors and their variables. | 192 |
| FIGURE 16: South Korea’s export composition, 1955-1970..... | 204 |
| FIGURE 17: Participation of the US and Japan in South Korea import (1965-1991)..... | 209 |
| FIGURE 18: South Korea: Foreign aid and official development assistance received, 1960 – 2004. | 210 |
| FIGURE 19: A and B: US Foreign Assistance Spending on South Korea since 1946 through 2016. | 215 |
| FIGURE 20: Familiar Recipients of US Foreign Assistance..... | 218 |
| FIGURE 21: Net ODA (Official Development Assistance) Flows to South Korea, by Donor (Constant 2010 USD). | 219 |
| FIGURE 22: Total Net ODA (Official Development Assistance) Flows to South Korea (Constant 2010 USD)..... | 219 |
| FIGURE 23: Korean ODA (Official Development Assistance) – Net Disbursement (Constant 2010 USD)..... | 221 |
| FIGURE 24: Alternative explanatory framework variables and dynamics. | 236 |
| FIGURE 25: Brazil evolution of the share of the manufacturing industry in GDP (in %) 1947-2014 | 241 |
| FIGURE 26: Brazil evolution of industry and agriculture in Brazil in the period 1939-1982 (in % of GDP) | 241 |
| FIGURE 27: Brazil: Industry Share in GDP (PIB) and Real Industrial Production - 1947 to 2017 (%) | 251 |
| FIGURE 28: Brazil: Government spending, billion USD, 1960 - 2020 | 259 |
| FIGURE 29: Brazil expenditures in the health area (percentage) – Federal Budget- 1966 and 1974..... | 260 |
| FIGURE 30: Brazil 1974 Comparative Federal Budget of Ministry of Transport, Ministry of Education and Culture, and Ministry of Health..... | 260 |
| FIGURE 31: Brazil - Road building, 1966-1980. | 261 |

| | |
|--|-----|
| FIGURE 32: Brazil - Evolution of the minimum-wage in Reais (R\$)..... | 262 |
| FIGURE 33: Evolution of the minimum-wage purchasing power in percentage..... | 262 |
| FIGURE 34: Brazil - Percentage of children (Crianças) (10 to 14 years old) and youth (Jovens) (15 to 19 years old) workers in the total of the respective age groups, Brazil, 1950-1980..... | 263 |
| FIGURE 35: Number of work accidents in Brazil (1970-2010)..... | 264 |
| FIGURE 36: Total Productivity Factor (TFP) in Brazil and South Korea (1960-2019)..... | 265 |
| FIGURE 37: Brazil - Minimum-wage (Salário Mínimo) evolution (adjusted to 2016 Reais and USD parity buying power). | 265 |
| FIGURE 38: GDP growth 1964-1985 in Brazil. | 266 |
| FIGURE 39: Brazil: GDP per capita, constant 2010 dollars, 1960 – 2020. | 266 |
| FIGURE 40: Concentration of income in Brazil of the richest 1% (1926-1987). | 267 |
| FIGURE 41: GDP per capita Brazil x South Korea (1964-1985) in thousand USD. | 269 |
| FIGURE 42: Human Capital Index in Brazil and South Korea (1960-2019). | 270 |
| FIGURE 43: Urban growth in Brazil (1964-1984). | 272 |
| FIGURE 44: Brazil Foreign Debt in billions USD (1970-1985). | 273 |
| FIGURE 45: Inflation rate in Brazil (1964-1985). | 273 |
| FIGURE 46: Brazil - Percentage of young people between 15 and 17 years old enrolled in secondary education 1976-2010..... | 275 |
| FIGURE 47: Life expectancy in Brazil 1964-1985..... | 275 |
| FIGURE 48: Infant mortality rate per thousand live births (L) Life expectancy at birth (%) (R).291 | |
| FIGURE 49: Tests – Process-tracing..... | 312 |
| FIGURE 50: Doubly Decisive Test | 312 |
| FIGURE 51: Export shares by technological sectors, 1962-2010 - Brazil..... | 314 |
| FIGURE 52: Export shares by technological sectors, 1962-2010 – South Korea | 314 |
| FIGURE 53: National Development Plans – Brazil (1939-1979) | 315 |
| FIGURE 54: Brazil - Income concentration 1925-1975 reflected in the fraction income of the wealthiest 1% (in percentage). | 331 |

SUMMARY

| | |
|---|-----------|
| 1. INTRODUCTION | 19 |
| 1.1. The main objective | 19 |
| 1.2. The research problem and research question | 20 |
| 1.3. Hypothesis | 21 |
| 1.4. Arguments | 21 |
| 1.5. Expected results | 23 |
| 1.6. Relevance | 28 |
| 1.7. Analytic framework | 29 |
| 1.8. Building blocks of a developmental puzzle | 30 |
| 1.8.1. Competing Explanations | 31 |
| 1.8.2. Institutional arrangements, productive patterns, and growth..... | 32 |
| 1.8.3. Development Plans | 33 |
| 1.8.4. Historical institutionalism; organized capitalism; developmental-State; ideational, political, and institutional factors; planning; coordination; incentives and discipline; contingent events and critical junctures; causal chains; causal mechanisms; and outcomes | 34 |
| 1.8.5. State-business relations and the building up of a great nation and a great country 40 | |
| 1.8.6. Embedded autonomy State’s role, and State capacity | 41 |
| 1.8.7. History, developmental processes, and insights | 44 |
| 1.9. METHOD | 48 |
| 1.9.1. Data collection | 51 |
| 1.9.2. Data analysis with process-tracing | 52 |
| 2. UPDATING THE DEVELOPMENTAL STATE GOAL: EMBEDDING HISTORICAL INSTITUTIONALISM AND ORGANIZED CAPITALISM | 57 |
| 2.1. Historical Institutionalism | 57 |
| 2.1.1. Institutionalism and neo-institutionalism | 57 |
| 2.1.2. Institutions and market-economies institutional structure..... | 60 |
| 2.1.3. Historical institutionalism | 61 |
| 2.2. Organized Capitalism | 65 |
| 2.2.1. Organized capitalism and developmental State model: fitting limits | 67 |
| 2.3. Developmental State..... | 73 |

| | |
|--|------------|
| 2.3.1. The developmental, liberal, and statist States: DS main qualities, differences, and models. | 75 |
| 2.3.2. From approach to theory: trying to structure the DS concept..... | 78 |
| 2.3.2.1. DS policy tools | 81 |
| 2.4. A three-tiered theoretical framework: historical institutionalism, organized capitalism, and developmental state | 82 |
| PART II 85 | |
| SOUTH KOREA AND BRAZIL: IDEOLOGICAL BACKGROUNDS, DEVELOPMENTAL PATHS, AND OUTCOMES | 85 |
| 3. FROM NARROW EXPLANATORY STREAMS TO A BROADER DEVELOPMENT EXPLANATION: INCORPORATING IDEOLOGICAL SOURCES TO UNFOLD THE PUZZLE | 91 |
| 3.1. Developmental-State Models and the building of a broader analytical approach | 92 |
| 3.2. Comparing East-Asian and Latin American development | 95 |
| 3.2.1. The liberal view | 95 |
| 3.2.2. The heterodox view | 98 |
| 3.2.3. The exogenous view | 103 |
| 3.3. The missing ideational thread..... | 107 |
| 3.3.1. Economic Nationalism | 108 |
| 3.3.2. Economic nationalism, nation, nation-state, and national identities: an intricated net | 111 |
| 3.3.3. Economic nationalism, conflicting interests, institutions, arrangements, and policies: great nation or great country?..... | 119 |
| 3.3.4. Economic nationalism and Nation-building..... | 121 |
| 4. THE SOUTH KOREAN CASE..... | 123 |
| 4.1. South Korean developmentalism: a historical perspective | 123 |
| 4.1.1. The Syngman Rhee legacy | 131 |
| 4.1.2. Land reform | 136 |
| 4.1.3. Foreign aid | 138 |
| 4.1.3.1. Unraveling the foreign aid..... | 139 |
| 4.1.4. In transit toward a speedy developmentalism | 139 |
| 4.1.5. PCH developmental project turning point..... | 148 |
| 4.1.5.1. Troubled beginnings, inspiration, and overcomes..... | 151 |
| 4.1.5.2. The first five-year economic development plan (1962-1966)..... | 157 |
| 4.1.5.3. The second five-year economic development plan (1967-1971) | 164 |
| 4.1.5.4. The third five-year economic development plan (1972-1976) | 178 |
| 4.1.5.5. The fourth five-year economic development plan (1977-1981)..... | 181 |

| | |
|---|------------|
| 4.1.6. Balance of the period and an intriguing question | 183 |
| 4.2. Vectors and variables | 191 |
| 4.2.1. Strategic vector: | 192 |
| 4.2.1.1. Type of State | 192 |
| 4.2.1.2 Business organization and business-state relationship | 193 |
| 4.2.3. Tactical vector: productive patterns (ISI, EOI, or transitional)..... | 199 |
| 4.2.4. Geopolitical vector | 208 |
| 4.2.4.1. The international context..... | 208 |
| 4.2.5. Ideational vector | 211 |
| 4.2.5.1. Nation-building in South Korea | 211 |
| 4.2.5.2. Economic nationalism in South Korea under Park Chung Hee | 225 |
| 5. THE BRAZILIAN CASE AND COUNTERPOINTS | 235 |
| 5.1. A historical view of catching up | 238 |
| 5.2. The coffee-industry transition: 1900-1964 | 242 |
| 5.3. The Brazilian authoritarian developmentalism..... | 248 |
| 5.3.1. Industrialization under dictatorship: roots and legacy | 248 |
| 5.3.2. Institutional arrangements and the developmental agenda: 1964-1979 | 253 |
| 5.4. Undoing the failure misconception | 257 |
| 5.4.1. Business interests and State promises: a conflictual agenda | 258 |
| 5.4.2. A conflictual developmental agenda | 264 |
| 5.4.3. The land reform and State goals: an unfulfilled agenda..... | 276 |
| 5.4.4. External financing and the State developmentalism: making economic nationalism | 278 |
| 5.4.5. Coordination and discipline as operational mechanisms | 279 |
| 5.5. The successful standing of a great country on the shoulders of lousy social outcomes. | 285 |
| 5.6. The military and developmentalism..... | 292 |
| CONCLUSIONS | 301 |
| ENDNOTES | 307 |
| REFERENCES | 337 |

1. INTRODUCTION

Brazil and South Korea are among the strongest world economies with similar GDPs¹, albeit with a slight nominal advantage for Brazil, and distinct GDPs per capita, with a large advantage for South Korea². They also show a significant gap in their international trade profiles, with South Korea outperforming exports of higher manufacturing complexity.³ Departing from contrasting levels of industrialization, both were led by long-lived dictatorial regimes, which configured and established the institutional arrangements and ideological orientations for their ensuing developmental trajectories in the 1960s and 1970s. The choices made and the ensuing trajectories, shaped the differences in outcomes at the end of the 1970s.

This dissertation does a comparative study of Brazil and South Korea's developmental processes in this period. It is based on certain ideological assumptions and aims to shed light on their different choices and trajectories and the corresponding outcomes. The puzzle it strives to answer is to make sense of how two countries with such different backgrounds as to their industrial capacity, infrastructure, income rate, external threats, and natural resources, greatly favoring Brazil, ended up a few decades later exhibiting such different socio-economic and technological outcomes, now greatly favoring South Korea. It does so by tracing their developmental trajectories as a function of 1- the concepts of idea of nation, economic nationalism, and nation-building, 2-institutional and political factors and arrangements, and 3-discipline and coordination measures in developmental policy.

1.1. The main objective

The dissertation's main objective is to explain why and how the institutional and ideational patterns established by the military coup governments that seized power and remained in office in South Korea from 1961 to 1979, under Park Chung Hee's leadership, and in Brazil from 1964 to 1979, under four (out of five) dictatorial leaderships, reflected: 1- the former's intention to undertake multisectoral export-oriented industrialization of increasing complexity and local content, and to what extent institutional and ideational patterns can be linked to the medium

¹ According to The World Bank, South Korean GDP in 2020 was 1,631 trillion USD while Brazilian GDP was 1,445 trillion USD.

² According to The World Bank, South Korean GDP per capita in 2020 was 31,489.12 USD while Brazilian GDP was 6,796.84 USD. Available at:

<https://datatopics.worldbank.org/world-development-indicators/>

³ See Endnote 2.

and long-term consequences of that choice, and 2- the latter's intention to undertake a process of import-substitution industrialization of medium complexity and foreign content, and to what extent institutional and ideational patterns can be linked to the medium and long-term consequences of that choice. Such consequences are expressed: 1- in the former's capacity to break through the low-income status by the end of the 1960s, crossing smoothly and continuously through the middle-income status from the 1970s onwards, until becoming a high-income country, with robust high technological and industrial capabilities. At the same time, 2- in the latter's remaining in middle-income status during this period -- and until today-, - and its maintenance of the dependent import-substitution profile.

1.2. The research problem and research question

The research problem addressed lies in the emergence and evolution of institutional arrangements and foundational ideational developmental patterns. The research strategy employed seeks to determine the nature and role of such developmental patterns, particularly the politics of ideation in the creation and evolution of developmental institutions in Brazil and South Korea in the 1960s and 1970s.

By carrying out a comparative study between South Korea and Brazil, the dissertation explores the ideational elements, institutional arrangements, and drivers orienting the macroeconomic policies implemented in each country when tackling late industrialization under the leadership of dictatorial military regimes, aimed at a transition from a rural to an import-substitution industrial ecosystem. And from there on, to an exported-oriented based on national content and increasing complexity, in South Korea, but not so in Brazil, which remained anchored in a rural economic base and tethered to an import-substitution industrial orientation.

Thus, amidst institutional and ideational similarities and differences, particular outcomes emerged in each country. Regardless of the stark increase in GDP, and having built a larger, innovative, and endogenous productive environment, South Korea maintained in its historical inequality rate. By contrast, inequality rose fast in Brazil over the period, though it similarly had a fast growth in GDP and production base, and differently from South Korea, it was unable to shake off a technological dependency bias. Moreover, the Brazilian population got stuck in the middle-income trap, and despite the fact that both countries had similar income status back in the 1970s, this picture changed rapidly onto the mid-1980s, to the benefit of South Korean population. In short, today both countries have similar GDPs and different inequality features, with Brazil a far more unequal society than South Korea. Also, in the 1970s, they achieved similar

GDPs per capita, which then drastically changed favorably to South Korea after the mid-1980s. Different from South Korea, Brazil consolidated a significant large industrial park that mostly assimilated foreign technology, becoming unable to generate complex technologies of its own. Why these two countries chose to follow such different paths is the driving question of this research. To what extent these chosen paths contributed to the outcomes observed decades later is the complementary question pursued.

1.3. Hypothesis

The dissertation hypothesis is that developmental institutional arrangements resultant from ideational choices and political factors greatly contribute to an explanation of the different outcomes observed in Brazil and South Korea. The arrangement's nature and dynamics triggered a sequence of events, stemming from the historical dynamics between diverse ideational and political configurations within authoritarian developmental regimes, that ultimately led to the strikingly different outcomes.

The South Korean, like the Brazilian outcome, resulted from the converging evolution of ideational, political, and institutional factors and arrangements modes of interaction, involving discipline and coordination in the implementation of a developmental strategy founded upon economic nationalism and promoted through State-big businesses-society relationship. This result suggests that the pattern of continuity and change in technological and socioeconomic outcomes was shaped by the initial ideological drive, policy interaction and convergence, mode of deployment of developmental ideas, and the political balance co-implemented by the State and private big business groups. Finally, public reception, opposition, indifference, or support for developmental ideas and sacrifices required to achieve them. In short, the dissertation aims to validate this hypothesis considering that whereas South Korea was capable of fast track upgrading toward technological advances and high-income status, Brazil was mired in a technological stagnation in the middle-income trap.

1.4. Arguments

The main argument developed is that whereas in Brazil parts of the institutional, political, and ideational factors and arrangements matched those of South Korea, other critical ones did not. Such absence of parallelism could potentially explain the similarities and differences found in these two late developmental projects, their trajectories, and distinct outcomes.

The key assumption is that ideas matter. When combined with historical institutionalism, it becomes a powerful explanatory approach for long-term developmental transformations. Ideas turn into institutional and political instruments as they guide the agency deployed in the construction of institutions. Ideas are core elements of value and belief systems and underpin the different institutional logics of action (Thornton and Ocasio, 2008). Thus, development, as a value to be achieved and sustained, shall be understood as the result of interaction and convergence among institutions and ideas. Ideas are the linchpin for a long-term perspective embedded in the bargaining power from the political leadership towards business and society.

An auxiliary argument made is that developmental strategies implemented in both countries were based on different ideational premises and pre-existing institutional arrangements. In South Korea, government-induced consensus and programmatic long-term goals, embedded in five-year State-business plans, linked short to medium-term projects and connected institutional arrangements to a largely supportive society. An operational nationalist ideology coherently held together needed continuity and change throughout. The State's long-term goal as expressed in PCH's Presidential speeches, was to make South Korea a great nation, amongst the greatest technological ones. To accomplish it, learning-by-doing initiatives were consciously designed, implemented, and continuously re-assessed, advances and setbacks lessons integrated into the evolving transformational project. They were deployed under a covenant between State agents and select business groups.

Such initiatives were implemented following disciplinary stimulus-coercion practices to avoid setbacks to the maximum. Such a long-term goal was present in the coup leaders' minds years before May 1961 (In Kim & In Vogel, 2011; Park and Bum, 1970). The "stick and carrot" procedures were continuously implemented along the way (In Kim & In Vogel, 2011). More importantly, however, the general concept of the need to transition from import substitution industrialization to an export-led orientation was always evident for PCH (Park and Bum, 1970). Also self-evident for him was that for it to happen it required strengthening local business groups (Park and Bum, 1970). Also self-evident was a perception of the necessity to garner support from Korean society along the way, since sacrifices were certain to be required (Park and Bum, 1970). Therefore, to reach the goal, those views were the main concerns of the military leaders after the coup had been institutionalized. In Brazil, a succession of national development plans was poorly integrated with ill-defined short and medium-term projects and did not embody a pragmatic chain of developmental strategic events. Further, coordinated actions between business groups and the State did not seem to act on behalf of genuine public interest (Dreifuss,

1981; Campos, 2014) and social groups did seem to have coalesced around clear-cut long-term national goals. Finally, the developmental ideological orientation lacked an endogenous inward-driven nationalist component capable of amalgamating various power bloc interests, as it happened in South Korea.

A third argument geared to validating the dissertation's hypothesis is that in the South Korean case the control and subordination were exercised by the State over business through four pressure mechanisms: normative, discipline, embedded autonomous surveillance, and incentives. The first three served to normalize rights and obligations and, at the same time, check results to impose extra discretionary normalizing actions due to eventual production stoppages.

The last was composed mainly of subsidies. By contrast, in Brazil, control was limited to normative aspects and incentives, free of any disciplinary measures or hierarchical surveillance. Business interests trumped the State stated developmental goals. State rhetoric and practice were dissociated for the most part.

Together the last two arguments claim that although South Korean and Brazilian broad developmental goals and institutions were similar, Brazilian inter-institutional integration, coordination, and discipline obeyed a private logic and were, to a great extent, dissociated from the manifest goals expressed in governmental claims in the period. Irrespective of domestic disagreements, the Brazilian development ideological profile historically consolidated as a non-endogenous economic nationalism type, not entirely concerned with the general population well-being and a broad independent technological ethos. Underlying this ideological configuration, and in spite of contrarian voices in the business sector and middle-class groups, laid down the general character of the Brazilian idea of nation as of a non-broadly inclusive type. In contrast, South Korean inter-institutional integration, coordination, and discipline obeyed a public logic and were largely associated with the manifest goals of governmental claims. The South Korean coup movement's had an endogenous economic nationalist ideology orientation centered on achieving an independent technological ethos. The idea of a nation encompassed the whole population, guiding State agents and fostering other social groups to act accordingly, including the domestic big business community.

1.5. Expected results

The research expected results were that different outcomes observed for South Korea and Brazil by the end of the 1970s were primarily due, in the latter, to the singular concept and

operationalization of economic nationalism during the period. The “a-country-for-all” motto expressed in Presidential speeches, independently of whether it aimed to incorporate society into a developmental project, was in practice executed under an excluding logic, with both the State and most of the society captured by business interests before, during, and even after the 1964 coup. Thus, this study concludes that there was a confluence of interests between the State and private business groups, privileging both power blocs, and converging efforts to build a great country but not a great nation. This differentiation is semantically critical to grasp the different outcomes by the end of the 1970s and beyond. In Brazil, in the course of building a great country, the agreed upon State-business focus was frozen to privilege particular social groups and interests over society, and, regardless of the GDP per capita growth, an income redistribution never materialized due to goal of strengthening the high and middle-income society strata. Moreover, in the face of such a capture, there emerged a blurry business against business environment, with distinct groups disputing the control the economy, and a low State operational capacity to coordinate State-business actions towards the elaboration and implementation of integrated long-term developmental public policies, particularly regarding industrial and technological dimensions. In the end, they were at odds with other short and medium-term public policies, making it hard to materialize an inclusive and pragmatic Brazilian developmentalism.

In South Korea, however, the singular concept of economic nationalism implemented had a focus on pursuing a public and inclusive logic to build a great nation. Despite privileging particular social groups and interests in the nation-building process, the object of the focus was the South Korean society and it sought to increasingly achieve a higher per capita income, a more adequate income redistribution, better education, and stronger technological and industrial capacity to, in a feedback loop, establish a level playing field for interested business parties in contests for substantial industrial market shares. Therefore, the dissertation concludes that the economic nationalism concept, based on an industrial export-oriented pragmatism with a narrow focus on the low and middle-income society strata to repeatedly feedback a dynamic local content continuous upgrade, is the reason for the so-called Han miracle. Complementary, there was a high State operation convergence capacity to coordinate State-business actions towards elaborating and implementing integrated long-term developmental public policies, industrial and technological. In the end, they converged with other short and medium-term public policies, making it easier to materialize and consolidate a holistic and pragmatic South Korean developmentalism.

The results validate the proposed hypothesis since they proved correct that specific goals, and certain ideological, political, and institutional factors and arrangements, alongside with coordination and discipline, as differently identified in South Korea and Brazil during the 1960s and 1970s, provide a potentially robust explanation as to why, in the Brazilian case, the public policies and the industrialization process implemented between 1964 and 1979 failed to engender a structural industrial transformation and an overall social development, encompassing most of its population, as it happened in South Korea.

The results show that besides institutional and political factors, ideological root concepts – the idea of nation, economic nationalism, and nation-building – underlie more superficial ‘whys’ and ‘hows’ explanations about these two countries achieving such contrasting outcomes, greatly favorable to South Korea, even though it departed from a comparatively inferior point than Brazilian social-economic and industrial situation in the early 1960s. Among these concepts, the idea of a nation constrains the whole path.

Several decades after the May 1961 coup, South Korea was caught up with advanced countries technologically, had pulled its population out of the low and middle-income trap, and conjured an independent economy. The State made effective use of a set of elements – specific goals, ideological, political, and institutional factors, and arrangements, alongside coordination and discipline, to induce developmental strategies which designed and implemented. Therefore, under similar political regimes and institutions, and regardless of the structural disadvantages faced by South Korea, the different paths taken by South Korean and Brazilian dictatorships led the former to establish an economic nation with a growing and diversified endogenous industrial structure with increasing technological complexity. Quite the opposite happened to Brazil.

From the hypothesis, the arguments, and the conclusions arrived at, the thesis here advanced is that South Korea, through an inclusive idea of nation, robust inward nationalist ideology, coordinated business-State relations, long-term goals, learning-by-doing practices, convergent public policies, and disciplinary and incentive measures, generated, and to some extent virtuously evolved, the basic agreement established in the 1960s between the State and the domestic big business to trail an upgraded nation-building path, supported or at least a muted societal reaction, content to collect benefits along the way in developmental path. The South Korean State assumed a leading role in conceiving the necessity of implementing a coordinated long-term national catch-up strategy of a technological break-through orientation to pursue a high-income country status and economic independence. As for Brazil, the ideological developmental “umbrella” under which strategies/ short, medium, and long-term

policies and incentives were accommodated, and the mode of discipline used to implement them had a different bias, centered on the idea of building a great country and not necessarily a great nation. In this perspective, public and private policies sometimes conflicted with one another. Thus, the economic nationalism and the nation-building concepts implemented in Brazil partly differed from those of South Korea's, mainly because they were primarily conceived and implemented under the aegis of sectoral business interests, which did not incorporate ambitions to overcome foreign technological dependence and social inclusion of the population into an effective collective public policies.

Next to the importance of ideology as an explanatory variable to this puzzle, the study highlighted institutional arrangements as key components as they operationalize the developmental paths taken. However, the set of institutions created and the nature of its imbrication with the developmental paths must be seen as a reflex of the ideational factors orienting the actions in each national context. Therefore, in Brazil, during the sixteen years of dictatorship⁴, public and private business investments, largely in infrastructure, alongside less condescending welfare policies and other institutional factors, were directed to the nation-building of a great country, in which select social groups were meant to receive privileges, expanding and reinforcing the private and the public business sectors, meeting the government political aspirations and those of limited parcels of the society. The institutional arrangements reflected this primary goal accordingly.

In conjunction with the South Korean State's ideational goal to generate a great nation, the actions agreed upon and implemented between the State and the private big business community, through a set of institutions and group of actions, hold the answer to the contrasting development outcomes considered in the literature as a puzzle. The institutional arrangements used to implement both developmental paths were expressions of these root ideational premises from then start. Whereas these actions and arrangements may be viewed as promoting or impeding operational factors for materializing the South Korean success in Brazil, this dissertation concludes that regardless of differences and similarities, the arrangements

⁴ The strongest argument of those who deny the dictatorship is that it held regular elections for councilors, deputies, senators, and mayors of some cities. However, the electoral dynamics were precarious, as there were constant authoritarian interventions, arrests, cassations; and people could not vote for the main offices, president, governor, mayor of the capital. The dictatorship's electoral game only worked if it reinforced those pro-regime candidates. When the regime was in danger of losing control of the situation, the government responded with authoritarian interventions, as in the cases of Institutional Acts 2 and 5. In short, it was a dictatorship because the military and its civilian allies tightly controlled power and did not allow the opposition any real chance to turn the tide. (Author's note).

matched the power blocs⁵ interests in each country and that, therefore, it is mistaken to see their results as a sort of a Brazilian crippled developmental process compared to the South Korean one. The study finally concludes that, observing a narrow logic, one cannot affirm that there was a developmental State project failure in Brazil, as the outcome reflected the State-business agreements, even though it only partially achieved those goals expressed in the Presidential speeches in the period. If the expected results voiced in the Presidential speeches during their respective dictatorships achieved the goals in South Korea and not in Brazil, the reasons are not to be found in the Brazilian State's low capacity to stand as a driven force to materialize part of its developmental agenda, but in a convenient convergence of mutual interests due to power bloc dynamics in the face of business interests and government's need for support, and the South Korean State capacity⁶ to effectively drive its developmental project as publicly advertised, capturing the business sector for its national project instead of being captured by it as in the Brazilian case.

Regarding this ideological dimension, the thesis presented proposes that during the Brazilian and South Korean dictatorships, successive political leaderships and State institutions used a nationalist ideology to diffuse the view of the political group in power to be seen as

⁵ For Poulantzas (1986), the power bloc constitutes a contradictory unit of dominant classes or fractions, class-dominated unit, or hegemonic fraction. It is a contradictory unit because capitalists, in addition to their general unit, are distributed, according to the position they occupy in the production process at a given time and in a specific country, in different economic sectors that may constitute fractions class pursuing specific interests. Poulantzas emphasizes the role of the State as a constituent of the "factor of the political unity of the power bloc under the aegis of the hegemonic class or fraction. In making this statement, Poulantzas seeks to reinforce the theoretical position that the State is not a simple tool in the hands of the bourgeoisie, but the direct responsibility for the organization of the class domination of the bourgeoisie and, more specifically, of the hegemony of a certain bourgeois fraction (Boito Jr., 2005). Poulantzas (1986) differentiates the ruling class fractions on the economic plane in the industrial, commercial, and financial bourgeoisie. The power bloc is a category to understand the internal conditions of the State because it is a space for disputes between dominant and popular segments. In this sense, in the State intersects nuclei and power networks of fractional classes within the power bloc. The relevance of the power bloc concept lies in the permission to go beyond a perspective where the capitalist State is conceived as a subject or, at the other extreme, as entirely subject since it is recognizable in this concept the imbrication between the political and economic dimensions. The concept makes it possible to consider the materiality of state institutionality, avoiding the trajectories of reductionist and/or economic and political analysis that empty or impoverish the discussion of the State as they simplify the underlying conditioning factors or even particular inseparable aspects. The bloc's internal conflicts, which are not purely from "political" nature, but mediated by economic reasons closely linked to the activities of the ruling class fractions, influence the conduct of State instruments and the management of public policy (Pinto e Balanco, 2014).

⁶ State capacity is the ability of a government to accomplish policy goals, either generally or in reference to specific aims. A State that lacks capacity is defined as a fragile State or, in a more extreme case, a failed State. State capacity may involve an expansion of the State's information-gathering abilities (Author's note).

representative of the nation and retain the State control in its hands. However, considering the strong business interests, the materialization of the State's agenda was largely perceived as piece of rhetoric, in many aspects, and not citizen mobilization in Brazil, particularly those claims concerning pulling the population out of the precarious situation in which they lived. In contrast, after 1961 the business bloc power in South Korea was challenged by the coup movement and the State was able to materialize a nationalist ideology, embraced and diffused by PCH's regime. That is, under a different power distribution between the State and business groups, the South Korean State could materialize a robust and effective developmental nationalist project. In both cases, the selected ideological concept served as a platform to conceive a developmental path. The institutional arrangements implemented in each country revealed the bloc power's capacity to drive developmental dynamics on their will and to outline different development results to be achieved through its impact on the choice of instruments, policies, and initiatives developed and implemented.

1.6. Relevance

The relevance of the dissertation lies in rectifying the existing received knowledge that in the 1960s and 1970s, under, Brazil developmental State project was unable to carry out its a transformative institutional agenda as did South Korea, due to and mistaken choices and weak capacity of the State to move beyond the import-substitution as the productive pattern, strategic inability to procure low interest rate finance, reluctance to implement a widespread agrarian reform, missing capability to pragmatically link successive development plans and failure to strengthen and drive State-business relations. Independently whether these and other claims discussed in Chapters 4 and 5 are right, they cannot be fully be attributed just to State capacity, but rather on missing will power, mainly that of the power bloc, shaped by ideational factors, critically the idea of nation. From the start, the different outcomes were destined to be different due to historical factors, meaning institutional, political and, most important, ideational ones, as revealed in evidence in Presidential speeches in South Korea but not present in Brazil.

The historical institutionalist explanation showed that institutional and ideational factors matter when trying to make sense of the different outcomes reached by South Korea and Brazil. Besides them, power blocs comprising the political arena where convergent and divergent policies and State-business arrangements accommodate specific developmental agendas played a key role. Together these components led South Korea and Brazil to arrive at different

outcomes, voluntarily following distinct logics of action. Outcomes primarily followed these logics, with causal mechanisms as reinforcements. Therefore, the underlying root causation must not be sought within a causal chain of events but rather in external and previous ideational instances. Whereas South Korea managed to overcome the low and middle-income status, Brazil remained trapped in middle-income since then. It is also true is that while in Brazil there was a weak State capacity to deal with business interests, producing conflictive policies and divergent institutional arrangements, PCH's regime challenged the business bloc power and assumed full control of the State and thus could align policies and institutions more effectively to serve its developmental agenda expressed in Presidential speeches and government plans. However, these are secondary, auxiliary, causes. Understanding the intricacies of these complex paths, their primary and secondary causes, and to subsequently differentiate them is a relevant reasonable effort to shed light on these divergent results and guide future studies.

1.7. Analytic framework

To **operationalize** the causal factors to search for answers to this alleged puzzle, one must build a consistent explanatory construct. This was done analytically interlocking two causation levels: primary and secondary. The primary comprises the ideational factors, namely the concepts idea of nation, economic nationalism, and nation-building. The secondary refers to the rest, namely institutional and political factors and arrangements. First, it was necessary to identify and explore the role and specificities of the economic nationalism in each, in terms of the idea of nation and nation-building and how they embed in institutional patterns and actors' behavior. For example, the analysis of the effects of this ideology upon big-business compliance with the South Korean five-year plans' objectives and goals and sought to relate it to the incentives and disciplinary measures imposed on them by the State; or later on, the comparison of this compliance pattern to the one observed in the Brazilian case. Such analysis was essential to achieve the study's objectives, as from the beginning it bet that beyond the important role play by its singular developmental ideology, out of the box disciplinary dimensions South Korea's path had greatly instilled a high national commitment and urgency in South Korean chaebols.

Thus, economic nationalism is taken in this study as a developmental ideology, as it claims it was a crucial element for South Korea to overcome an initially precarious industrial profile and the low and middle-income traps, upgrading the country both technologically and socially. It also embodies the primary motivations for the outcomes observed in Brazil. Next, it was a question of how and to what extent institutional and political factors reflected and reconfigured

the actions of social groups -the military, business, bureaucratic-State, rural, and civil society - and in Brazil also the finance sector.

Therefore, the dissertation seeks to identify through a multi-rational approach the basic root explanation of how a low-income and agricultural country as South Korea and a middle-income semi-industrialized country as Brazil in the early 1960s, both depicting an increase income rates throughout roughly twenty years under dictatorships in the 1960s and 1970s, and part of the 1980s, ended up the former as a high-income and a technologically independent advanced country and the latter was trapped in the middle-income⁷ and stuck in technological dependency at the turn of the Millennium. The conclusion is that the answer to this alleged puzzle lies in the complex interactions of three ideational factors -the idea of nation, economic nationalism, and nation-building-, and three basic institutional dimensions - the productive pattern, State-business relationship, and external environment. Making sense of the logic driving these factors and shaping these dimensions demystifies the very existence of a puzzle and turns its solution upside down: an expression of will and accommodation of power blocs' intentions and capabilities. If, in the end, such a goal has been achieved here, a contribution to the debate has been made.

1.8. Building blocks of a developmental puzzle

The puzzle faced by this study is an alleged one. Alleged because the outcomes observed followed the logic of their ideational premises and implementation patterns. They were what they had been designed to be. Therefore, one shall not seek to solve a puzzle but to identify the building blocks that make it look like one and how they interlock. Some elements already identified in previous explanatory tentative, consolidated in the developmental State literature, are among them. From them, the study selected some elements. Some other building blocks outside the scope of these previous attempts, or not consistently treated by them, were placed together and cemented in a broad cognitive construct. Thus, the study considered some new blocks. Ideological, institutional, and political ones. As ideological blocks are the idea of nation, economic nationalism, and nation-building. As institutional ones are the institutional factors and arrangements. Among them, and highly considered in this broad explanatory perspective

⁷ Following the parameters generated by Felipe, Abdon, and Kumar (2012), Doner and Schneider (2016) define the middle-income trap as an extensive period of middle-income limbo, especially in contrast to previous developers, in which some countries remain stuck in the band of income of USD2,000–7,500 for over twenty-eight years, or within a range of USD 7,500- 11,500 for over fourteen years, or even on an average income for a total of forty-two years. These years represent the median number of years earlier developers spent as middle-income.

proposed, coordination and discipline were resalted as operative conductors. The role of the State, State agents, and some processes and their transformative capacities were also stressed. So is the case of the embedded autonomy bureaucracy in South Korea, the agrarian reform, or the productive pattern, so differently manifested in these two countries at the time. Political factors were also stressed. In this sense, State-business relation as a building block was handled with extreme care since the study treated it in a two-layer approach: first as a power bloc issue; secondly as part of the ideological factor. In short, the argument that sustains the thesis that a broad interpretation of this alleged puzzle is required is that all these institutional and political factors must firstly be accommodated in those ideological premises to make any sense. What once was usually seen as a cause became a consequence and better understood. In this section of the introductory chapter, the study presented and resalted some interlocks of these building blocks that are contextualized and, in detail, treated in Chapters 3, 4, and 5. For now, they serve as a contextual glimpse of what lies ahead.

1.8.1. Competing Explanations

Among the late industrializing countries, South Korea is undoubtedly one of the most successful examples in the world. Even after facing a war with its neighbor to the North (1950 to 1953), South Korea bet on development strategies in the second half of the twentieth century that proved to be quite effective over time. Neither the absence of abundant natural resources nor the relatively small internal market was a difficulty that prevented substantial South Korean development, which makes this achievement even more impressive compared to the Brazilian results. Nevertheless, what were the political decisions and strategies that allowed all this advance in such a short time, especially when compared to the Brazilian case with an abundance of natural resources and an industrial park quite significant in the mid-1960s when compared to the incipient South Korean industrial one?

The specialized literature points to three explanatory approaches that can be used to explain South Korea's outcomes vis-à-vis the Brazilian ones. The first attributes to the export-oriented industrialization strategy and observance of market-imposed pricing being the leading causes of South Korea's success. On the other hand, Brazil kept its productive pattern bound to the import-substitution pattern and did not quite follow the recipe of making the prices right. The second recognizes the State as the true protagonist of this process, being the main responsible for the success, coordinating investment decisions, and allocating resources in the search for competitiveness gains. Finally, the third explanatory chain attributes the reasons for the different countries' insertion into the Cold War geopolitics. In this case, South Korea is a

more significant beneficiary of technological support and external financing, particularly from the United States and Japan. This study understands that these explanatory views do not adequately explain these different outcomes and propose a fourth explanatory view. This tentative new approach selectively considers some elements of the previous views conjunctly with some other ideological, institutional, and political elements not adequately treated.

1.8.2. Institutional arrangements, productive patterns, and growth

During the nineteen years of the South Korean national developmental dictatorial period under Park Chung Hee, from 1961 to 1979, it undertook pragmatic and propositive institutional arrangements, strongly amalgamated and with a view to a type of economic growth that contemplated the increase and better distribution of its GDP, the export of manufactured products of increasing added value and complexity and general well-being. The positive consequences brought by such arrangements and outcomes fed back the macro guidelines of this national development project that ended up pushing the country to figure among high-income countries in the decades ahead.

During sixteen out of twenty-one years of dictatorship in Brazil, from 1964 to 1979, institutional arrangements were also implemented. However, national developmentalism expression faltered, sometimes within a more state-driven bias and others with a more liberal one, depending on business pressure and the high executive team to command the portfolios. With a low degree of cohesion among the various social groups in dispute for controlling the State's economic agenda and a myopic State's vision of the nation, the Brazilian economic growth in the period was not reflected in the deconcentrating of income. The economy, for its turn, remained firmly anchored to agricultural production, even though it contemplated the materialization of a growing industrial park geared to serving the domestic market.

Despite the same South Korean logic of actions anchored in import-substitution policies during the first half of the 1960s, the Brazilian productive pattern kept the same track in the years ahead. While in South Korea, the industrial production from substituting imports of goods with low or no cutting-edge technology in them was gradually discontinued after 1965, pushing the country to the vicinities of the technological frontier by the 1990s and breaking through this cutting-edge by the 2000s, Brazil persisted focusing on import-substitution for attending the domestic market. The policies chosen and implemented during the 1960s e 1970s linked the country, despite its considerable industrial park and technological capacity, to the outskirts of the technological frontier. Besides, regardless of some increments and all the efforts in the decades ahead, the GDP per capita has stagnated in the middle-income rank since then.

This period saw the emergence of national industrial ecosystems of increasing complexity in South Korea, which ended up increasing its GDP per capita and the materialization of an endogenous productive and innovative environment in several industrial sectors. Conversely, in Brazil, the process resulted in the imprisonment of social well-being and GDP per capita in a sort of middle-income trap, regardless of the materialization of an industrial park that, although portentous, reflected itself as a mere dependent assimilator and user of imported and highly complex technologies.

1.8.3. Development Plans

Development plans oriented both processes along the period. On the one hand, South Korean national development five-year plans⁸ were designed based on a specific economic nationalist ideology. The plans had clear mid-term goals, connectivity among their projects and were continuously adjusted based on consistent feedback (embedded autonomy). During Park Chung Hee's government, four plans were implemented, and a significant socioeconomic transformation and industrial catch-up occurred within two decades, regardless of occasional setbacks. On the other hand, Brazilian development plans were also oriented by an economic nationalist ideology, however, of a different profile. The Brazilian plans lacked a steady long-term perspective, and the projects within it preserved some economic sectors but presented low convergence and interaction with an overall industrial expansion. During 1964 and 1979, five⁹ plans were implemented, poorly reaching the established goals.

⁸ Crucial to the formulation and execution of the five-year plans was the establishment of the Economic Planning Board (EPB) in July 1961, just months after the coup. It became the most important (and prestigious) ministry in charge of economic policy, attracting the brightest Korean economists, many of whom were educated in the USA (Kim, 1997). Though Park Chung Hee was firmly in charge of South Korea's broader economic policies, he used several governmental organizations to formulate plans and put them into action. The most important were the Economic Planning Board (EPB), the Ministry of Commerce and Industry (MCI), and the Ministry of Finance (MoF), the responsibilities and authority of which fluctuated throughout Park's time in power. Of these organs, the EPB was promoted by Park to become the leader of the pack because of its lack of sector-specific focus, instead of seeing the whole economy as its territory. The board (which, by virtue of its designation, was ranked higher than ministries in the bureaucratic hierarchy (Jung, 2011) was created from a merger of the Ministry of Reconstruction and the MCI's budget bureau in 1961, both of which were known to be staffed by young and reform-minded personnel. It was tasked with not only planning the national budget but also had powers to regulate financial sectors, approve foreign loans and investments (In Kim & In Vogel). Most importantly, however, it was tasked with allocating capital to industries through the nationalized banks, which was the main tool used by the Korean state in directing its economic development. The Minister of the EPB also held the title of Deputy Prime Minister and was second only to the President in terms of power over the numerous economic ministries (Song, 2003).

⁹ See Endnote 3

During the nineteen years of Park Chung Hee's government, South Korea pursued integrated actions consolidated in four economic plans.¹⁰ Such actions were State-driven in essence but liberal in practice, regardless of State disciplinary measures and incentives over the business sector.¹¹ Under an endogenous technological upgrade economic nationalism concept,¹² mainly concerned with the pursuit of exportation of manufactured products of increasing added value and complexity, the South Korean industrial park was continuously incremented and transformed. A State bureaucracy closely mapped the processes from within companies through a mechanism Evans (1995) called embedded autonomy and reported project progress to State agencies.¹³ Incentives and disciplinary measures served as State's "sticks and carrots." State-driven economic nationalist propaganda and initiatives paved the way for society's support.

1.8.4. Historical institutionalism; organized capitalism; developmental-State; ideational, political, and institutional factors; planning; coordination; incentives and discipline; contingent events and critical junctures; causal chains; causal mechanisms; and outcomes

This study focused on historically analyzing the joint action of these ideational, institutional, political, and economic elements. The theoretical fundamentals that framed it are historical institutionalism, organized capitalism, and the developmental State model. This multi-theoretical perspective was chosen for its capacity to uncover potential existent conflicts inside

¹⁰ See Chapter 4.

¹¹ By first picking which chaebol to promote and then closely cooperating with them, Park Chung Hee managed to create a high level of embeddedness. One sign of Park's belief in the necessity of strong State-business embeddedness is the fact that during his 19 years in power, attended every single monthly Export Promotion Meeting between heads of industry and government officials (Shin, 2000). These meetings were also attended by directors of economic research institutes, prominent academics, and representatives of trading companies (Song, 2003). Economic policies under PCH were formulated only after extensive consultation with the chaebol through several channels besides the monthly meetings, such as discussion groups, deliberation councils, and committees. These meeting places allowed the private actors to influence policy according to their own interests but, in exchange, the State was able to effectively collect (and disseminate) information about market conditions (Chung, 2007).

¹² See Chapter 3.

¹³ The State embedded bureaucracy started acting intensively in the early 1970s when Park Chung Hee decided to reorient the economy towards heavy and chemical industries in the "HCI-drive". Even though Park was very much in power, the autonomy of the economic bureaucracy meant that he had to incentivize it into agreeing to his new strategy. To convince both the Economic Planning Board - EPB and the Ministry of Finance - MoF that an "HCI-drive" was necessary, Park expanded the organizations with dedicated HCI-bureaus and promoted those directors who proved themselves loyal to the new directives. The competency and well-established links to the private sector would suffer had he not acquired their willing cooperation. By 1973, Park had successfully convinced the economic bureaucracy of the desirability of pursuing the "HCI-drive" and the plan was set in motion (<https://www.diva-portal.org/smash/get/diva2:601204/FULLTEXT01.pdf>).

the developmental capitalist State, bringing logic to the analyses since the study believes it is significant to consider the political, economic, and cultural dimensions and historical pathways acting as conceptual referents to describe and explain specific events and behaviors (Alford and Friedland, 1985), and, naturally, the outcomes derived from them. Under these multiple perspectives, the study follows the thoughts of Thornton and Ocasio (2008), for whom the individual agency and the given structure must be relativized since institutional logics refer to the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material giving meaning to their social reality. In short, the multi-theoretical approach chosen seeks to bridge the individual agency, cognition, and socially constructed institutional practices and rule structures into a consistent cognitive construct.

Thus, political, and economic changes occurred between the 1960s and 1980s in Brazil and South Korea. Originated from political coups, they took place in Brazil under the aegis of alleged organized capitalism with a dictatorial political bias and under a developmental-State project, lasting from 1964 to 1985 and aiming at engendering a catching-up process focused on import-substitution industrialization, infrastructure, and monetary austerity. As to South Korea, an unprecedented and undoubtful organized capitalism took place after a coup in 1961, under Park Chung Hee's leadership and a developmental-State project to be implemented, lasting until 1979, also with a dictatorial political bias and aimed at long-term export-oriented industrialization and technological upgrading, alongside social transformation, in which austerity was secondary.

Sixty years later, in July 2021, South Korea was titled as a developed country by the OECD, with improved per capita income, better income distribution, and a technologically advanced and independent industrial park. This study selected contingent events, critical junctures, and causal chains and mechanisms that contributed to this institutional change. It also put together pieces of evidence supporting the assumption that during the 1960s and 1970s, a feedback loop was gradually implemented between the South Korean State, business, and society in which ideational and institutional factors, planning, coordination, incentives, and discipline fostered a continuous technological, industrial upgrade, general public welfare, and broad public and legislative support for PCH's government developmental program to follow a learning-by-doing process toward the goals expressed in the Presidential speeches. In doing so, the study sought for elements to support the thesis that ideational factors in such a combination with institutional elements and interrelated

processes were the causation of South Korea's successful outcomes. Moreover, the last and the most crucial double-question this work hopefully helped to answer was 1- if this transformative South Korean process can shed some light on the processes observed in Brazil during the same period since under similar political circumstances and different economic backgrounds more favorable to Brazil they led both countries to different outcomes, and 2- if the Brazilian developmental State actually fails to implement the governmental propositions and therefore it must be considered a crippled process vis-à-vis South Korean success, or if these supposedly crippled implementation and results were merely the results of political forces in dispute and, in this sense, the outcomes observed merely reflected the intentions of the winning fraction of the business bloc power.

During Brazil's dictatorial years from 1964 to 1985, its national developmentalism faltered, alternating between the State's collective intentions manifested in the Presidential speeches and the liberal policies implemented in many areas, exhibiting a paradoxical lack of convergence. Regardless of the rhetoric concerning collective intentions, the State presented a myopic vision of the nation's destiny since it disregarded broadly implementing necessary policies historically beneficial in other developed countries like the agrarian reform and urban restructuring, capitulating on building a great country based on sectoral business agendas. Thus, the regime fostered private industrialization based on import substitution and put-up monumental pieces of infrastructure alongside public investments in particular enterprises like nuclear and road construction to the detriment of quality education and health. This orientation was established as a synonym for progress and became the desirable outcome for both the State and fractions of the business sector.¹⁴ Contrary to South Korea's attention to building a great nation roughly in the same period, meaning a continuous technological industry upgrade in many sectors and growing and fairer well-being, based on education, health, and better distribution of the income rate.

In this sense, regardless of substantial increments, the Brazilian economic growth did not adequately reflect the re-distribution of the derived increased income observed in the period. Thus, since then, Brazil has remained stuck in a middle-income status, albeit a substantial GDP increment, a significant shift away from agricultural production, and gradual consolidation and expansion of its national industrial park. In this respect, unequivocally, there is a crucial difference related to the industrial path chosen by South Korea and Brazil. It comprises a root defining element to the alleged puzzle. Whether Brazil chose to pursue

¹⁴ The reasons underlying such accommodation of public and private interests are analyzed in Chapter 5.

an import-substitution industrialization model, South Korea chose to pursue an export-oriented one. While Brazil focused on the domestic market for its industrialized products, South Korea focused on the foreign one. However, this orientation also must be contextualized under the same previous arguments, and it reflects two aspects of the same question: the international labor division and the faltered submission of the State to the local and foreign business agenda.

As to the interlock between ideational factors and outcomes before mentioned, this study considers the former as the root causation of the latter. Even though South Korea and Brazil can be qualified as developmental latecomers, the characteristics present in their developmental ideologies and the outcomes of their implementation in the 1960s and 1970s under similar dictatorial regimes differed. In the former, the ideology carried long-term pragmatic mechanisms of inclusion, continuous technological upgrade focused on an industrial structural transformation, export-oriented, and steady state-driven action through specific public-private arrangements, privileging the nation primarily as a totality. In contrast, the Brazilian developmental ideology was exclusionary and limping, oscillating between a state-driven orientation and a more liberal one, privileging the country primarily, meaning business fractions and political groups involved, and focusing on construction infrastructure and outdated import-substitution industrial production of dependent technologies.

As to the interlock between income rate and outcomes, the study touched on a crucial point that helps to clarify how the increase and redistribution of the income rate can foster a feedback loop toward a permanent industrial upgrade, as was the case in South Korea not in Brazil. According to The World Bank (2012), thirteen out of one-hundred and one middle-income economy in 1960 had graduated to high income by 2008. South Korea is one of them. However, the WB report suggests that it is not about the average income itself, as if the problem is in the average amount of income earned by the population of these countries, but in the necessary socio-economic and productive upgrade that it imposes so that countries that reach the middle-income status are not caught in a lethal developmental trap, unable to compete with low-income countries with their low-wage economies in manufactured exports, and with high-income ones with their advanced economies in high-skill innovations (Kharas and Kohli, 2011).

The orthodox neo-liberal stream reflected in the WB report suggests that the way out of the developmental trap is a matter of productivity. Heterodox authors like Kharas and

Kohli (2011) relativize this assumption. The trap reflects a slowdown in productivity growth as economies exhaust the gains from low income into middle-income status, states the WB report. Kharas and Kohli (2011) stress, however, that regardless of its intrinsic value, productivity is not a value in itself, and must be seen as a means to be operationalized through specific tool-policies, focused on promoting better education (significantly higher and technical), more significant savings and better investment, better infrastructure, more innovation, and R&D, and promising industrial policies well, as stress other heterodox authors. Moreover, states Kharas and Kohli, besides the productivity issue, a technological gap must be considered when dealing with this matter.

However, regardless of the productive and technological gap involved, how fast these technologies change, and their interlocks, Doner and Schneider (2016) state that increasing productivity is a must for a country to reach high-income status. Notwithstanding, besides the political will, there are some minimum requirements to guide the actions to overcome the problem: long-time horizons on the part of political leaders, broad societal consensus, business-government collaboration, and some degree of inclusive politics to turn the way a less rocky walk. These requirements were valid in the 1960s and 1970s as they are valid today, although today's productive patterns have changed. According to Doner and Schneider (2016), once these requirements are established, the difficulty lies in that implementing upgraded policies to get beyond the production and income trap and move closer to technological frontiers takes time, requires many actors' participation, and demand technical site-specific information. What requires complex and compelling institutional arrangements without mentioning ideological ones. In this sense, the study observed that, contrary to Brazil, South Korea established adequate institutional arrangements and control mechanisms to operationalize and integrate its five-year plans into a long-term developmental project according to the State's will as manifested in the Presidential speeches. Not entirely can be observed for the Brazilian case, but, as has been said, the reasons lay down within ideational factors underlying power bloc dynamics. Such ideational factors and power bloc dynamics determined the State's actions and business compliance in Brazil and South Korea.

This study believes that specific institutional patterns contributed to the different results noted in South Korea and Brazil and they reflect the power bloc dynamic in both countries. In Brazil, the lack of coordination and interinstitutional discipline between the State, social groups, and the local business community; lack of proper operational

convergence in the design and implementation of long-term public policies, particularly concerning industrial ones; lack of steadiness in the parameters of implementation of some of these policies; lack of proper convergence between these long-term policies and short and medium-term ones; and the lack of a better distribution of the increasing GDP per capita, counterpointed to what is observable in South Korea during roughly the same period under similar political circumstances, may provide an explanatory lead to the different outcomes achieved by these two countries by the end of the 1970s.

Besides these aspects, this study assumed and later concluded that specific nationalist ideologies implemented in these two countries helped differentiate the outcomes observed in their catching-up processes. They were a determinant factor to trap Brazil in a technological dependence and a middle-income status in the decades ahead in contrast to South Korea overcoming the middle-income status and establishing an independent industrial and high technology industry. As to ideology as an explanatory variable to this puzzle, this study assumes that despite a robust economic-developmental ideology in Brazil between 1964 and 1979, it was not nationalist in any sense like the one Brazilians faced under Vargas' regime between 1930 and 1945 and from 1950 until 1954. Likewise, it had not the nationalist economic-developmental ideology profile experienced in South Korea under Park Chung Hee's regime from 1961 until 1979.

As for the Brazilian case during its dictatorial regime from 1964 to 1985, its economic nationalist developmental ideology accordingly materialized differently from the one conceived and implemented in South Korea under PCH's regime. This study concluded that this specific nationalist pattern contributed to Brazil's results vis-à-vis South Korea's ones, alongside the previously mentioned faltered consistency when elaborating its macro national development guidelines in the format of five development plans since the first three of these five plans followed a private business agenda largely decoupled from those manifested intentions for integrating the Brazilian society in an inclusive developmental project expressed in many Presidential speeches throughout the period. This specific nationalist ideology, the faltered consistency, and the decoupling of the State's primary compromises expressed in the Presidential speeches, oriented the Brazilian catching-up process to reach outcomes that primarily benefited particular social groups but not the nation as a whole unity, sustaining the historical structural heterogeneity, economic and technological dependence, and the middle-income status.

1.8.5. State-business relations and the building up of a great nation and a great country

The private big business was an important political actor in this period in both countries, and many successes and failures experienced must heavily consider the participation of this segment. This social group had a distinct overvaluation in each of these two countries. While in Brazil, from 1964 to 1979, industrial entrepreneurship was explicitly seen as much as agents as beneficiaries of the industrialization process alongside with the **country**, it was not what happened in South Korea between 1961 and 1979, where the large private companies were seen by the State as intermediaries to build up a great **nation**. The semantics here is essential for the understanding of this study. Country and nation carry out distinct meanings for the sake of the arguments presented. Country in this sense comprises an integrated territory, the inanimate material elements that allow this integration to be fulfilled and select social groups that coordinate this integrative process for the benefit of some. In contrast, a nation comprises the entire population and its individual and collective capacities to project the country as a powerful international industrial player for the benefit of all. Whether this conception, for the Brazilian case, was not present in many Presidential speeches, it ended up materializing like this regardless of the rhetoric of building up a great nation officially propagandized.

Notwithstanding, as in one case and the other, the insertion of business interests in the public agenda was achieved through numerous participatory arrangements, with disputes over subsidies being fought in direct articulation with the State's high bureaucracy. In South Korea, it was done through a disciplined subordination to the State. In Brazil, subordination and discretionary discipline were practically inexistent as concerned to the industrial sector's activities since the discipline was exercised through explicitly contracted compromises. In South Korea, this discipline took on features that could best be translated by disguised coercion since incentives and internal and external financial resources were under the government's control and were made available only under the private big-business compromises to follow the five-year plans strictly and deliver results. In Brazil, the State-private-big business relation during the dictatorial regime was far less State-driven than South Korea's. According to their short, medium, and long-term interests, businesses maintained self-serving and voluntary submission and normative discipline. Thus, there was not a relationship based on discretionary power established between the State and the Brazilian private business community in addition to the normative discipline and the private

business interests themselves. As for the South Korean case, in addition to the norms and legal power, the discipline manifested disguised pressure elements.¹⁵

In this sense, those relations of State power,¹⁶ subordination, and discipline observed in the South Korean case need to be put into perspective to be correctly understood. The discipline imposed by the South Korean State over the business community and society was instead a strategy, driven by technical and tactical provisions, to induce the comprising of the five-year plans and to generate the outcomes to materialize a great nation in the shortest time possible.

Complementarily, as to the Brazilian case in this same dictatorial historical context, ideational and institutional factors, meaning legislation and institutions, and arrangements seemed dysfunctional when seen from the intentions declared in the Presidential speeches, but perfectly logical when considered under power bloc interests in the dispute. The discipline applied by the Brazilian State over business actors seems to have lacked effectiveness when compared to the South Korean one. However, they also followed the same political logic. Therefore, concerning this disciplinary aspect, the main difference is that no coerciveness was forced over the private business in Brazil to comply with the State's developmental plans other than the ordinary legislation. Thus, compared to the South Korean developmental catching-up process during the 1960s and 1970s, this extra-ordinary discipline mechanism used by the Asian country, meaning disguised coerciveness, was missing in the Brazilian case. This missing element opens the question of whether it is possible to speak of organized capitalism for the Brazilian case and the existence of a nationalist development strategy implemented under the scope of consensus in South Korea. The study concluded negatively for both questions.

1.8.6. Embedded autonomy State's role, and State capacity

If, as mentioned, discipline is a key analytical tool to understand socio-economic outcomes achieved by South Korea in its catching-up process, so is embedded autonomy as conceptualized by Evans (1995).¹⁷ This concept paves the way for the argument that those results achieved in

¹⁵ For instance, this disguised pressure mechanism can be seen in credit access since the government controlled the whole financial flux (See Chapter 4).

¹⁶ See Jessop, B. The State and State Power. A pre-copyedited version of a chapter *in* S. Clegg and M. Haugaard (eds.), *The SAGE Handbook of Power*, London: SAGE, pp. 367-382.

¹⁷ For Evans (1995), the bureaucracy requires autonomy from society and a degree of embeddedness to contribute to development. He argues that the State can play four significant roles in the economy: 1) custodian, meaning protection, policing, and regulation; 2) midwife, meaning birthing new enterprises in

the South Korean developmental process used close surveillance, feedback information, and State agents' autonomy to operationalize their controlling and informational tasks.

In this sense, according to the embedded autonomy concept, the State can potentially be autonomous insofar as it has a rationalized bureaucracy that powerful rent-seeking groups cannot instrumentally manipulate and, many times, as was the case in South Korea, was enmeshed in the companies. Besides, it is also embedded insofar as State elites are enmeshed in social networks and other relations that put them in close contact with dominant players in civil society. Once the State finds political space among other power blocs to act according to an agenda of its own, this combination of traits enables it to have a genuine capacity to formulate long-term goals a little bit more independently from immediate external pressures, acquire the information needed to pursue those goals, and yet be sufficiently constrained by forces outside of the State so that its actions do not simply foster the interests of State elites (Wright, 1996). Such was the case in South Korea in the period. Quite the opposite was the case in Brazil since, as this study concluded, under many aspects the State was captured by business interests, and their representatives were somehow enmeshed within the State's organizations (Dreiffuss, 1981).

Evans' argument revolves around the role of the State in fostering development in broader terms, meaning not only upgrading business, technology, and the productive infrastructure but also fostering the transition from middle-income to a high-income rate of the population under its guidance, without letting the country be trapped in the first. Evans appropriates the discussion on the role of the State in the issue of development and proposes to harmonize two dissonant theoretical lines, the Marxist and the Weberian, about what variables are most important for understanding the development and practices of the State in a capitalist society (Wright, 1996).

For Weberians, the necessary variables center on the differential capacity for the State to act. Therefore, States can be weak or strong, efficient or inefficient, farsighted or myopic. To understand these variations, one should explore the dynamics of State-building.¹⁸ Naturally, for

specific sectors; 3) husbandry, meaning teaching, cultivating, and nurturing entrepreneurial forces; and 4) demiurge, meaning becoming directly involved in productive activities. Thus, autonomy would be the capacity and desire of government agents to remain independent, free to act under their judgments in the face of private interests. Embeddedness, in turn, would be the qualified involvement of government agents in obtaining detailed information provided by non-government agents.

¹⁸ State-building as a specific term in social sciences and humanities, refers to political and historical processes of creation, institutional consolidation, stabilization, and sustainable development of States, from the earliest emergence of statehood up to modern times. State building is creating and

those adepts at the Marxist perspective, considering these variables as pure determinants may sound inappropriate. Under this perspective, the pivotal issue in understanding variations is concerned with class content, given the capacity of the State to accommodate different class interests. Thus, for Marxists to understand these kinds of variations, one should see how State activities are interconnected with class forces in civil society (Wright, 1996). Such strict Marxist view is not the approach of this work since it understands as adequate to consider those differential variables applicable to establish the State capacity. Therefore, this study considered valid Evans' attempt to reconnect both Weberian and Marxist approaches on the State capacity issue through the concept of embedded autonomy and, therefore, kept it as a side valid concept when analyzing State-business relations.

The issue of government capabilities or, more broadly, of State capacity is a complex one, and it has given rise to important analytical, measurement, and evaluation efforts, as well as lively methodological debates. The concept of State capacity is very salient in studies of economic development, and its presence or absence has been associated with development successes and failures. Countries with low State capabilities have difficulties in implementing complex economic policies. This situation in effect reduces the set of policies from which countries can choose and make them more vulnerable to both internal and external shocks. Countries with strong State capabilities might be able to draw from a broader menu of policies and pick and successfully implement them in such a way that best suit the nature of their challenges (Acemoglu et al., 2015). Whether such statements are true, in the comparative analyses presented by this study, they must be placed under skeptical perspective since, as told, the different outcomes observed in South Korea and Brazil after roughly twenty years of developmental State policies were, primarily, consequences of a pre-determined developmental agenda, and, particularly in the Brazilian case, not necessarily a matter of State capacity or incapacity to act.

State capacity refers to the government's ability to do its job effectively: to raise taxes, maintain order, and provide public goods. Moreover, it is expected that a capable State, accordingly, faces all sorts of calamities and financial crises. The concept of State capacity – “the ability of a state to collect taxes, enforce law and order, and provide public goods” – was developed by political scientists, economic historians, and development economists to illuminate the strong institutional contrast that parallels the economic contrast between rich

strengthening the institutions necessary to support long-term economic, social, and political development (Author's note).

and poor countries. Rich countries are all distinguished by having large, strong, and relatively capable States; poor countries, by contrast, are generally characterized by weak and frequently ineffective States, while those polities dysfunctional enough to be characterized as “failed States” are among the poorest ones. Again, whether this approach is valid, it must be stressed that it does not carry out the seeds of a satisfactory explanation for the puzzle presented in this study.

Remark twice made, though it is often taken for granted the existence of central and local States with the capacity to enforce law and order, regulate economic activity, and provide public goods, it is true that many States in less-developed parts of the world lack this capacity. In Migdal’s (1988: 33) words: “In parts of the Third World, the inability of state leaders to achieve predominance in large areas of their countries has been striking (...).” The idea that such State capacity is vital for economic development, though latent in the writings of Hobbes and Weber, began to attract more attention due to analyses concerning the “East Asian Miracle,” states Acemoglu et al (2015). A series of works by Johnson (1982); Amsden (1989); Wade (1990); and Evans (1995) argued that a key to the economic success of East Asian economies was that they all had States with a great deal of capacity. Others, such as Herbst (2000) and Centeno (2002), linked the economic failure of African or Latin American nations to their limited State capacity. This hypothesis also receives support from the cross-country empirical evidence presented in Gennaioli and Rainer (2007) and the within-country evidence. Nevertheless, without disregarding the importance of this approach and the evidence presented, this study will “handle them with care,” not to compromise the main argument here presented.

1.8.7. History, developmental processes, and insights

History brings valuable insights to be used when studying late development processes. Brazil and South Korea presented throughout this phase of their late industrialization and catching-up processes certain historical-institutional commonalities with late nineteenth-century Germany, for instance, particularly as to technological and social capability gap and resources, the prominent role of the State, the encouragement of the formation of large industrial business groups, the occurrence of authoritarian governments and the existence of agrarian elites that in an integrated mode or not, alienated or not participated in this process. Studying catching-up mechanisms, Gerschenkron (1962), having Britain, Germany, and Russia of the late nineteenth century in sight, points out the coexistence of technology and social capability gaps in latecomers vis-à-vis forerunners integrated process. He stresses that as in the latecomers of the nineteenth century like Germany or Russia, an enlarging

convergence to bridge these gaps took place during the twentieth-century latecomers catching-up processes. Brazil and South Korea are no exceptions.

However, Gerschenkron (1962) and Chang (2002a, 2002b, 2004) point out that notwithstanding the existence of standard general features in all industrialization processes, crucial features of latecomers' development are different from forerunners' simply because they are late. This is so because, firstly, the emphasis on general factors often results in a dim view of pre-requisites for economic development. Secondly, some of the factors that had served as pre-requisites in advanced countries were either not present in latecomers or, at best, were present to a minimal extent in the more backward countries, and development occurred despite the lack of those pre-requisites. In these cases, whether running out of the mainstream liberal track, where the pre-requisites of industrialization took a long time to emerge, brought to the scene the emergence of a new catching-up pattern. Following this theoretical lead, some latecomers, then, could initiate their industrialization following the opposite liberal recipe, mainly through utilizing technological and institutional backlogs already created by forerunners in their upgrading processes.

Therefore, the substitution of missing pre-requisites -or the use of existing ones- and catching up is more a simultaneous than a sequential process in some latecomers' cases. These pre-requisites were created not before but in the same course of action of their development processes and, consequently, industrialization spur. Latecomers' exceptional processes were not automatic and proved to be faster than the forerunners' usual liberal receipt. Hence, these processes were induced by its emphasis on institutional instruments, for which there was little or no counterpart in established forerunner countries (Gerschenkron, 1962; Lee, 2019; Chang, 2002a, 2002b, 2004). Chang (2002a, 2002b, 2004), however, remarks that even in forerunners' industrial development examples, strict liberal practices must be relativized since a great dose of the stimulus was provided by the State at the time of their "take-off."

Gerschenkron (1962) observed that bridging the technological and social capability gap in latecomers should walk hand-in-glove with the apportioning of necessary resources to accomplish it to make the catching-up process fast and feasible. He observed that technological trends move towards increasing capital intensity, and the entry barriers become a significant disadvantage to latecomers, characterized by their lack of capital. With nineteenth-century Germany on a scream, he states that Germany's overcoming of its technological and social capability gap could happen at the time only due to capital-intensive

investment planning, which was focused on individual firms and plants. The argument is that in a country of moderate backwardness, like Germany at the time, the investment banks assumed this role. In a country of extreme backwardness, like Russia, however, the activities of the State substituted the role of the banks in Germany.

Interestingly, both mechanisms were placed in motion for the catching-up process as to the South Korean and Brazilian cases decades later. Different results, however, emerged. Therefore, as said before, the causality and outcomes of catching-up processes must be explained by a more complicated arrangement of a particular set of features and power bloc interests than mere economic pre-requisites, which has to do with the emergence of specific institutions and specific catching-up strategies. Such was the aim of this study. Therefore, as institutions, historical insights matter. Understanding the late nineteenth-century German leap and the early twentieth-century Russian one can generate off-track liberal development studies like this and establish some parallels between them and South Korean and Brazilian catching-up processes. In this sense, with the Bismarckian and revolutionary Russian contexts in mind, this study departed.

As to the German leap towards a rapid industrial revolution, for instance, neither it took place from local bourgeoisie's private accurate moves, capable of identifying scenarios and economic opportunities, but from a reconciliation of interests of the State with the German elites, ultimately in favor of industrial interests and the nation; nor it was socially oriented, despite the social welfare derived from it. The Bismarckian regime merely used socialist policies and institutional arrangements to strengthen State power and elite interests without compromising them by unnecessary voters' turbulence (Taylor, 1955). South Korean developmental process held certain similarities with the German context. The Brazilian one did not. Germany and South Korea succeeded in promoting an independent structural industry transformation and general welfare. Brazil did not.

Notwithstanding, either in the German or South Korean and Brazilian cases, industrialization institutions were forged based on a State-market relation. Banks and industries reoriented national production bases towards an innovative independent industrial scenario. Such a type of capitalism established Germany's so-called conservative modernization model (Barrington Moore, 1966). This type of modernization that took place in Germany, although successful, took place under the authoritarian command of the State and was marked by a Bismarckian ideal of progress, as an expression of a German State that induces progress and reconciles interests, starting from of an industrial productive bias and

organizer of conflicts of interest (Gerschenkron, 1962, 1970). Again, South Korea followed this same lead. Brazil did not.

1.9. METHOD

Drawing on the contributions from historical institutionalism and the comparative political economy,¹⁹ this dissertation research adopts a historical-comparative²⁰ case²¹-oriented²²

¹⁹ The comparative analysis holds a central place in social science research. Regardless of the social sciences have a well-established view that it should be based on variables, much research – especially in political science and some branches of sociology – is case-oriented: that is, it aims at detailed descriptions of a few instances of a particular and complex phenomenon (Della porta, 2008). Although some authors argue that case-based comparisons follow a different research logic, others insist on the same rules. This study follows the former. The Political Economy field, says Mahoney (2007), offers a variety of methods of theory development: procedures for generating new hypotheses, tools for pursuing conceptual innovation, and techniques for identifying populations of homogeneous cases. On the other hand, they employ both within-case and cross-case methods of theory testing. Within-case methods include techniques for identifying intervening mechanisms and testing multiple observable implications of theories. Cross-case methods include a host of approaches for assessing hypotheses about necessary and sufficient causes. The author offers a concise description of this methodological evolution within the Political Economy field: “Beginning in the 1990s, the field of comparative politics saw an unprecedented wave of publications concerning qualitative and small-N methods (Bennett & Elman, 2006; Munck, 1998). These publications built on work on comparative methodology dating to the 1970s (e.g., Lipjhart, 1971, 1975; Przeworski & Teune, 1970; Smelser, 1973, 1976). However, whereas the earlier work often viewed qualitative methodology as advancing a set of “last resort” techniques that should be employed only when other methods (e.g., statistical methods) are not appropriate, the current work emphasizes the distinctive advantages of qualitative research. This new emphasis corresponds to research practices in the field. Students of comparative politics frequently turn to qualitative methods instead of or in combination with alternative techniques because they believe that qualitative methods are essential for addressing many substantive questions of interest.” (Mahoney, 2007: 122). “Today, scholars using qualitative methods explore all the major substantive topics in comparative politics. For evidence, one can point to influential work across the any of the key areas of the field: democracy and authoritarianism (e.g., Collier, 1999; Haggard & Kaufman, 1995; Huntington, 1991; Linz & Stepan, 1996; Rueschemeyer, Stephens, & Stephens, 1992), economic growth (e.g., Amsden, 2003; Evans, 1995; Kohli, 2004; Wade, 2004; Waterbury, 1993), market-oriented reform and regulation (e.g., Ekiert & Hanson, 2003; Haggard & Kaufman, 1992; Hall & Soskice, 2001; Kitschelt, 1994; Nelson, 1990; Vogel, 1996; Weyland, 2002), state building (e.g., Downing, 1992; Ertman, 1997; Tilly, 1990; Waldner, 1999), nationalism and ethnicity (e.g., Brubaker, 1992; Haas, 1997; Lustick, 1993; Marx, 1998; Varshney, 2002; Yashar, 2005), violence and state collapse (e.g., Boone, 2003; Reno, 1998), social revolutionary change (e.g., Colburn, 1994; Goodwin, 2001; Parsa, 2000), social movements (e.g., Goldstone, 2003; McAdam, Tarrow, & Tilly, 2001; Tarrow, 1994), electoral and party systems (e.g., Collier & Collier, 1991; Kitschelt, Masfeldova, Markowski, & Tóka, 1999; Mainwaring & Scully, 1995), and social policy (e.g., Esping-Andersen, 1990; Hacker, 2002; Hicks, 1999; Immergut, 1992; Pierson, 1994; Skocpol, 1992). Although this listing only scratches the surface of huge literature, it does suggest the prominent place for research that uses qualitative methods.” (Mahoney, 2007:123).

²⁰ According to Mahoney (2008), there is a significant and growing literature concerning comparative-historical methods for a causal and descriptive inference beyond the techniques currently available in mainstream statistical analysis. In terms of causal inference, new procedures exist for testing hypotheses about necessary and sufficient causes. Likewise, new methods and techniques are available for analyzing hypotheses that refer to complex temporal processes, including process-tracing and path-dependent sequences, respectively. Thus, in descriptive inference, the comparative-historical literature offers tools for concept analysis and for achieving measurement validity.

²¹ Case study methods are often used because the phenomena under research are too complex, context-bound, or context-sensitive to be studied in any other way (Yin, 1994). Such phenomena require a more holistic approach, and their understanding depends on the triangulation of different types of evidence using different methods. It is also important to note that making sense of cases often requires researchers to collect evidence relevant to the motives and feelings of actors, which, in turn, mandates the use of intensive, case-oriented methods. In short, whenever a compelling motivation exists to make the facts of

research design²³ between South Korea and Brazil during the 1960s and 1970s. Following the literature on this matter, which states that when a compelling motivation exists to make the facts of a case or a small number of related cases understandable, a case-oriented research strategy is a reasonable indication, such research design was adopted in this study under a comparative historical perspective. Moreover, since comparative-historical analysis is a field of research characterized by systematic comparisons and the analysis of processes over time to explain large-scale outcomes,²⁴ comparatively this study proceeded.

The selection of these specific cases for in-depth study, seeking to make them understandable, occurs for two reasons.²⁵ First, they are extreme in some way and thus present a process or phenomenon in relatively pure form.²⁶ Second, they neither challenge nor support widely held theories if scrutinized according to the premises this study presents, opening the path for new understandings in similar cases.²⁷

a case or a small number of related cases understandable, a case-oriented research strategy is a reasonable indication.

²² Von Wright (1971) argues that there are two main traditions in the history of ideas regarding the conditions an explanation must satisfy to be scientifically respectable. One tradition he calls causal-mechanistic; it is anchored in the problem of prediction. The other is called finalistic and is anchored in the problem of making facts understandable. The contrast between variable-oriented and case-oriented research closely parallels this fundamental division, respectively. (von Wright, G. H. *Explanation and Understanding*. Ithaca, NY: Cornell University Press, 1971).

²³ The comparative analysis holds a central place in social science research. Regardless of the social sciences have a well-established view that it should be based on variables, much research – especially in political science and some branches of sociology – is case-oriented: that is, it aims at detailed descriptions of a few instances of a particular and complex phenomenon (Della Porta, 2008). Although some authors argue that case-based comparisons follow a different research logic, others insist on the same rules. This study follows the former.

²⁴ Mahoney and Rueschmeyer (2003) stress that comparative-historical analysis is a field of research characterized by systematic comparisons and the analysis of processes over time to explain large-scale outcomes, such as revolutions, political regimes, and welfare-states (Mahoney, J., & Rueschemeyer, D. (eds.), 2003). *Comparative historical analysis in the social sciences*. Cambridge, UK: Cambridge University Press). Eckstein (1975) and Ragin (1987) remarks that the case-oriented strategy is centrally concerned with making sense of a relatively small number of cases, usually between one and 50, selected because they are substantively or theoretically significant in some way (Eckstein, H. *Case Study and Theory in Political Science*, 1975. *In Handbook of Political Science*, vol. 7, *Strategies of Inquiry*, edited by Greenstein, F.I. and Polsby, N.W. (eds.), pp. 79-137. Reading, MA: Addison-Wesley) (Ragin, Charles C. *The Comparative Method: Moving Beyond Qualitative and Quantitative Strategies*. Berkeley, CA: University of California Press) (von Wright, G. H. *Explanation and Understanding*. Ithaca, NY: Cornell University Press, 1971).

²⁵ See Stake, R. E. *The Art of Case Study Research*. Thousand Oaks, CA: Sage Publications, 1995. von Wright, G. H. *Explanation and Understanding*. Ithaca, NY: Cornell University Press, 1971.

²⁶ See Dumont, 1980. Cases are sometimes selected for in-depth study for the opposite reason: they are typical or run-of-the-mill (Becker et al. 1961). The selection of cases seeks to learn more about conventional arrangements and practices, besides their historical or cultural significance (Lipset, 1963). Some cases may be pioneers, establishing standards and routines imitated by others.

²⁷ See Eckstein, 1975.

It is also important to note that making sense of these cases required collecting evidence relevant to the motives and feelings of actors. Thus, a triangulation of different types of evidence was implemented using the process-tracing method. Such evidence came from primary and secondary sources. The primary sources were a selection of the presidential speeches of Park Chung Hee from 1961 to 1979 for the South Korean case and the presidential speeches of the four military presidents from 1964 to 1979. Secondary sources comprised statistical data for both cases collected in specific virtual data banks and specialized literature.

Since this is not a correlational study, but a comparative one, whether dependent variables have been identified, they were not used solely to evaluate the long-run outcomes across both cases, regardless of they allow comparisons on a one-to-one basis. Typically, because such variables' measures are expressed by level and did not explain much by themselves when the intention is to explain long-run outcomes variation. Sometimes the medium-run outcome variation was merely categorical, indicating whether some event has occurred, like the agrarian reform for instance. Some other times it was a frequency or a rate. However, since for this study no correlational was useful out of the historical, institutional, and ideational environment in both cases, these pieces of categorical or statistical evidence had to be triangulated among them and with other institutional and ideational ones. So, this was the general procedure since to test the hypothesis accordingly it was necessary to explain why each medium-run outcome has the value or level it has and how it is related to these dependent variables' values and levels that it has and correlated them with institutional and ideational factors to answer for the puzzled long-run outcomes proposed by the study.

In a comparative with-in case study like this, by contrast, the outcome under scope is often something that does not vary substantially across the chosen cases by value or level and cases are chosen because they all display similar ones: a specific pattern of success. The goal of this comparative case study was to identify common causal conditions linked to specific outcomes. The answers searched by this study are not related to "why", since it is not essentially a correlational study, but it is centrally concerned with the question of "how", as in "how such an outcome comes to happen, and causation was established jointly.

Thus, in this study the main causal conditions and the intervenient ones did not compete as they do in correlational research; they combined. How they combine was a matter of research's process tracing discerning. The reasoning was that the causally relevant conditions shared by cases provide important clues identifying the factors that must be combined to

produce the outcome in question. The results identified helped to lay the groundwork for the construction of a composite refined portrait.²⁸

1.9.1. Data collection

The analyses presented here resulted from research accommodated in institutions in three countries, Brazil, South Korea, and Germany, in libraries and official physical and digital archives. The study was conducted from 2016 until 2021 at Universidade de Brasília, and during this period, under a research visiting program established between Universidade de Brasília – UnB and Goethe University in Frankfurt, Germany, under the scope of the Programa de Pós-Graduação em Estudos Comparados sobre as Américas - PPGECsA, and accommodated at the Departamento de Estudos Latino-Americanos (ELA), twelve months, during August and July of 2019, were dedicated to research in the facilities of that German university, at the School of International Business and Entrepreneurship of the Steinbeis University Berlin at Stuttgart, at the Max-Planck-Institut für Innovation und Wettbewerb in Munich, alongside visiting emblematic German companies throughout the country. Another research visit occurred in November of 2019 in South Korea when the research was conducted in the Presidential Archives' facilities in Sejong and Daejeon where, among other data, it was possible to extract abundant bibliographic material from journalism, particularly the collection of Park Chung Hee's presidential speeches between 1963 until 1979. Interviews were conducted with scholars at Seoul National University and Hanyang University and with a Professor Scholar of the University of Taipei, Taiwan.

A second visiting research was scheduled to take place in South Korea during May and June of 2020, but because of the Covid-19 pandemic during the first half of that year, the scheduled surveys could not be carried out. This involved carrying out a survey in a specific database at Seoul National University of legislative proposals with a specific focus on R&D, confronting them with the availability of those resources, raised in the first phase of the collection, with the distribution channels of such resources for its practical materialization. Following this, a second interview with South Korean university professors about the results found would be sought. This involved carrying out a survey in a specific database at Seoul National University of legislative proposals with a specific focus on R&D, confronting them with the availability of those resources, raised in the first phase of the collection, with the distribution channels of such resources for its practical materialization. Following this, a second interview

²⁸ See Ragin (1994) and Katz (1982).

with South Korean university professors about the results found was scheduled to happen concerning the transforming the productive pattern in that country. As it did not happen due to the same pandemic reasons, much of this information was extracted from secondary bibliographic sources extracted from the collection of the Goethe University in Frankfurt, Germany.

A survey of Brazilian business groups was carried out at the beginning of the intensification of their industrialization process from the 1960s until the end of the 1980s. To that end, the existing bibliographic sources at the University of Brasília Central Library, Escola Nacional de Administração Pública -ENAP Library, Instituto Brasileiro de Geografia e Estatística – IBGE in Rio de Janeiro, and Fundação Getúlio Vargas - FGV also in that city, provided the sources concerning the contributions of the Brazilian State in encouraging the formation of large business groups that came to influence the Brazilian economy and induce the formation of complex industrial ecosystems in that period, changing, therefore, the traditional role of the agrarian elites and the Brazilian productive pattern. Also, a survey in the specific database of the Chamber of Deputies and the Federal Senate was conducted, searching for the legislative proposals focused on R&D during the years 1964 and 1979 and on the presidential speeches. The presidential speeches were already digitized on official websites for the Brazilian case, not representing any additional difficulties.

1.9.2. Data analysis with process-tracing

This study used two types of sources: primary and secondary sources. The primary was Park Chung Hee's presidential speeches addressed from 1961 to 1979, and presidential speeches from 1964 to 1979 of Brazilian military presidents Castello Branco, Costa e Silva, Médici e Geisel. The secondary sources were data collection from physical and virtual data banks and specialized literature. These data were displayed in comparative tables when considered adequate for better visualization.

The speeches were codified in seven categories: 1-inaugural addresses, 2-speeches addressed to the press, 3- speeches addressed to civil society and student groups, 4- speeches addressed to the business sector, 5- speeches addressed to society, 6- speeches addressed to foreign countries representatives and authorities, and 7- speeches addressed on commemorative days.

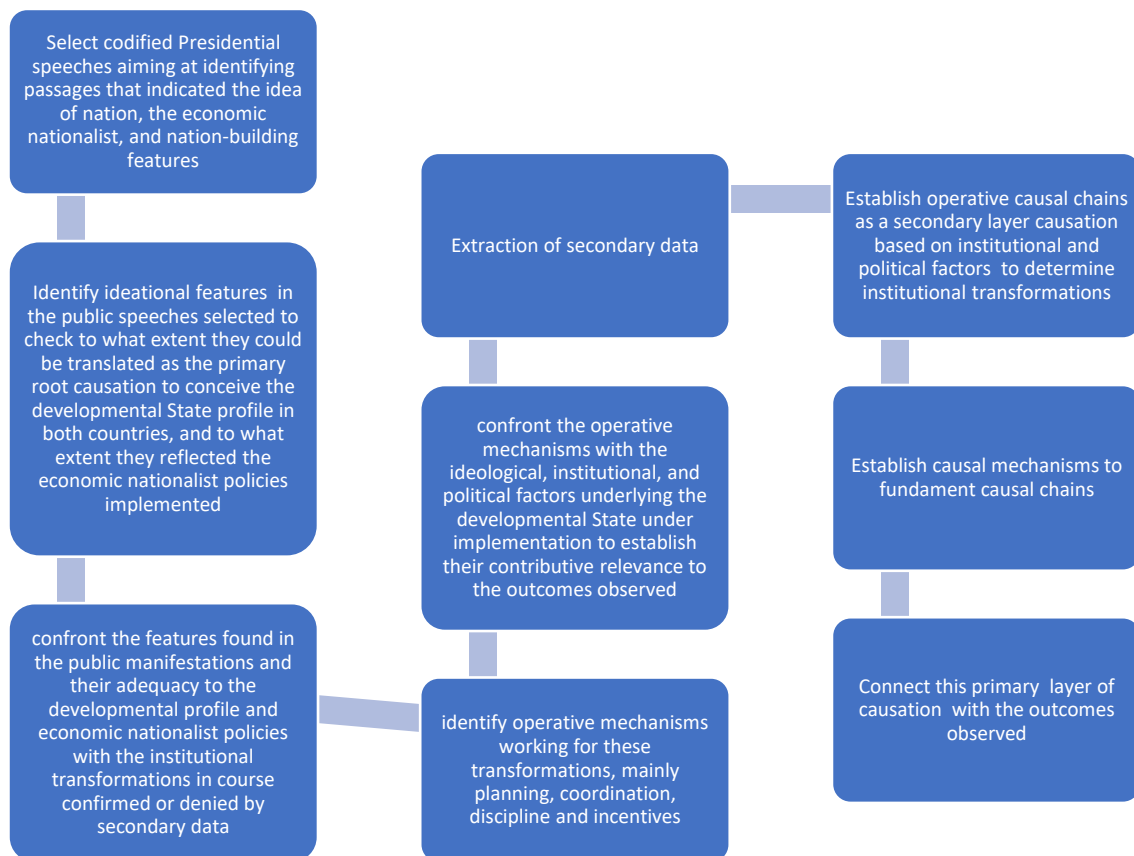
The objective when analyzing the speeches was to identify passages that indicated the idea of nation, the economic nationalist, and nation-building features being or to be applied by the regime in South Korea and Brazil during their catching-up processes. These ideational features

identified in the public speeches were selected to check to what extent they could be translated as the primary root causation to conceive the developmental State profile in both countries, and to what extent they reflected the economic nationalist policies implemented.

Once identified and analyzed, the study confronted these features found in the public manifestations and their adequacy to the developmental profile and economic nationalist policies with the institutional transformations in the course, confirmed or denied by secondary sources, to see if they matched and, if so, to what extent, or, if not, why they did not and what factors counterpose them. This matching confrontation and analysis, in its turn, paid attention to identify operative mechanisms working for these transformations, mainly planning, coordination, discipline, and incentives, and so closing the interlock loop when, again, confronting these operative mechanisms with the ideological, institutional, and political factors underlying the developmental State under implementation, establish their contributive relevance to the outcomes observed. Secondary sources comprise data and information extracted from literature and data banks, either in the raw data format to be treated according to the study's needs or already pre-formatted tables, graphics, and charts. Once extracted, the study sought to establish relevant causal chains and, within them, causal mechanisms.²⁹ Next step, the study interlocked them with previous results when analyzing the primary sources' adequacy to the economic nationalist policies vis-à-vis the outcomes observed (CHART 1).

CHART 1: Methodological steps

²⁹ See Endnote 1



SOURCE: Author.

By the idea of nation, this study conceives that such an ideational factor differs from the idea of country because it expresses a collective intention in a broader perspective, encompassing the totality of the population. As for the idea of country, this study conceives that it has a limited scope, encompassing selected social groups primarily. Two side concepts are linked to this idea of nation: economic nationalism and nation-building. These side concepts act as ideological pathways through which the idea of nation will run toward the main goal established by South Korean and Brazilian regimes at the end of their catching-up processes through the developmental State implemented: to build a great nation the former, and a great country the latter. Thus, communicative discourses and aggregate data were interlocked to provide evidence for the intentions and ideas concerning building a great nation, as in South Korea, or a great country, as in Brazil.

Discipline in this study refers to legal and discretionary mechanisms applied over social groups during these catching-up processes. Notwithstanding discipline encompasses measures that can be applied to a large set of social actors, this study will focus mainly on those applied towards the big business sector. In Brazil, the discipline measures were assumed to comprise

formal and usual legal restraints and incentives of many sorts, not always considered for the benefit of companies, as stresses Dreifuss (1981) and Campos (2014). In South Korea, the disciplinary measures observed legal regulations and encompassed discretionary presidential cabinet and agencies determinations with the power to overrun contracts and cancel or transfer incentives promised or already given (In Kim & In Vogel, 2011, Mason et al, 1980; Jones and Sakong, 1985). Moreover, in South Korea, from the early 1970s onwards, under the PCH government, a particular controlling mechanism, defined by Evans (1995) as embedded autonomy, was set in motion by the establishment of the Heavy Chemical Industries (HCI) agenda. The mechanism allowed the government to obtain up-to-date information to properly implement disciplinary measures to materialize the five-year plans. This information was gathered from State bureaucracy autonomously embedded in key companies' positions. Such embeddedness allowed the information to flow towards the government agencies and the PCH himself for further analysis and, if the case, disciplinary measures.

Coordination implies the State's capacity to maximize resources, including time, and potentialize cross-actions initiatives by implementing collaborative environments and aggregating social sectors under a national goal. In the two developmental states under analyses, coordination is directly related to the idea of planning, implementation, and power blocs. The way they interrelate contributes to determining the time and the quality of the outcomes.

Causal processes and mechanisms are the core of the method used by this comparative study. Therefore, once established the contingent events to each one of them, the study established critical junctures and identified dependent trajectories that eventually led to outcomes observed. The causal chain of events and the micro-processes linked to it provide sufficient and necessary evidence to support the arguments. The causal chains' validation requires to cross-check the interlocks of micro-processes composed of ideational, institutional, and political factors and arrangements to establish the consistency of the causal chain, which, in its turn, validate the contingent events at the initial mark of the chain and the outcomes at the end of it.

Thus, for each causal chain identified, the study searched for causal mechanisms that tentatively could corroborate the idea of existing micro-links. Using process-tracing, these micro-links were tested under established methodological parameters to assure their necessary or sufficient causation. The identification of causal processes and mechanisms is explained in detail in Endnote 1.

Sections 1.1 to 1.8 of this Introduction has provided the context within which the study formulates its assumptions. Next, Section 1.9 of it, has dealt with the methodological aspects of the work. After this double-section introductory chapter, the structure of the dissertation goes as follows: Chapter 2 revises the theoretical background where the dissertation lies. Chapter 3 deals with the concepts of nation, discipline, and coordination. Chapter 4 deals with the South Korean case in a with-in study and presents comparative empirical data for both the South Korean and the Brazilian late developmental cases. Chapter 5 deals with the Brazilian case and presents data and comparative analyses for both the South Korean and the Brazilian late developmental cases.

2. UPDATING THE DEVELOPMENTAL STATE GOAL: EMBEDDING HISTORICAL INSTITUTIONALISM AND ORGANIZED CAPITALISM

2.1. Historical Institutionalism

2.1.1. Institutionalism and neo-institutionalism

For Théret (2003), institutionalism distinguishes itself from other intellectual paradigms, particularly the orthodoxies of methodological individualism, by pointing to the need for intermediation between social structures and individual behaviors to understand their collective manifestations. These intermediations are precisely the institutions. Still, institutionalism has different meanings depending on the disciplines. There are several types of institutionalism - in Economics, Theory of Organizations, Political Science, Public Choice, History, and Sociology. They are related by the same skepticism about the atomistic conceptions of social processes and the diffuse belief that institutional arrangements and social processes are essential (Ibid.).

The institutionalist thinking that emerged in the transition from the nineteenth to the twentieth century brought with it a set of notions that, rescuing basic ideas of classical economics and the Marxist and neoclassical schools, consider as essential the nexus of the related part and the whole, or that is, individual and collectivity, in their aggregated and established way of thinking and interacting to formulate their theories of capital accumulation, economic growth, and development.

The term institution had certainly been widely used long before institutionalist thinking was systematically established. However, even in authors like Smith, Marx, Weber, and Durkheim, the term is diluted without highlighting the elements that constitute a theory. Veblen was the first author who set out to make a theoretic analysis of institutions when he wrote in 1898 a text seeking to answer and determine "why is economics not an evolutionary science." Taking Darwin's evolutionary ideas as a counterpoint, he sought in that context to answer questions about how and why individuals change, interact, transmit knowledge, and learn, innovate, or resist innovation, and establish patterns of organization and transmit them from a generation to another, despite the cultural changes that oppose this transmission (Veblen, 1898).

For Veblen, individuals' multiple intentions and interactions impact the institutions of the collective plan and direct dialogue with the issue of structural change in each context. Veblen correctly translated Darwinian evolutionism as adaptation and not as progress. Thus, whereas in Marxian logic, change meant an intrinsic and cyclothymic instability of the productive capitalist system with predictable results, for Veblen, this was an open question to be dealt with in non-deterministic terms, that is, in relational terms between individuals and their institutions (Veblen, 1898).

Therefore, using some common elements, Veblen challenges the Marxist determinism and the neoclassical utilitarianism of Bentham, Marshall, Walras, and Pigou, deconstructing the Pareto's optimal logic curve in which individual and collective needs and desires converge. Therefore, the economy based on the assumption that individuals are rationally homogeneous, making optimal decisions from the point of utility, could not stand as genuinely evolutionary science, since homogeneity and rationality are not the vectors that guide the results of an evolutionary environment, but only the unpredictable adaptability arising from the interactions of individuals and the ambiance.

To be genuinely evolutionary, unpredictable outcomes must arise from the individual-whole relationship. Thus, Neoclassical and Marxist schools do not share this institutionalist assumption. For the neoclassical school, the whole is simply the sum of the parts, adopting methodological individualism as an ontological premise (Kjosavik, 2003). Evolutionism, as understood by the institutionalist thought, rejects methodological individualism since the whole, that is, the society, and its institutions, cannot be understood as the sum of the parts. This is because it is not the parties that form these institutions but rather how they interact, thus explaining the conformation of the macro-social and macroeconomic environments that originate from this interaction (Hodgson, 2003).

The original institutionalism evolved to encompass new perspectives. The sources of the institutionalist perspective rest on institutional theory, as old as the study of politics. As far back in time, Locke, Plato, Aristotle, and, more recently, the federalist James Madison understood the importance of political institutions for structuring political behavior. In Madison's view, for instance, the science of politics is the study of how different institutional arrangements may encourage or discourage different types of political action. There are many typologies of institutionalism that, in a way, interact and feedback. For example, Smart and Olsen's (1983, 1984) sociologically inclined work focuses on the internal functioning of organizations, particularly concrete organizations, beyond those of the State.

Another institutional perspective materializes from economics and political science with the works of North and Ostrom, which reflect on the question of the extent to which institutions can contribute to the correction of market failures, thus offering a counterpoint to neoclassical economic theory.

Whereas in the 1980s, the institutional theme was not as common as the ideas around strategic interactions and rational calculations, the neo-institutional literature from the 1990s until the 2000s saw the raising of a multitude of institutional typologies, reflecting an intense intellectual restlessness without producing, however, a transparent scheme or an integrated system conforming to the institutionalist theory itself. Therefore, institutionalism remains an open question. Aside from their shared interest in institutions, integrating them is impossible since their main concepts have never been clearly defined. Notwithstanding, they share a common background that includes an issue addressed by all neo-institutional approaches. This concerns the nature of the State and speculates whether the State is a discrete entity separate from other institutional actors, from social and political life, or a group of these same actors, a system.

Hall and Taylor's (1990, 2000) studies of institutionalist typologies grouped them into three major strands: historical, sociological, and rational choice. In the end, institutionalism in all its new propositions is an approach to the study of modern economies and society that already spawned its own rational choice, historical and sociological sub-divisions. Their relative strengths and weaknesses have been discussed in major academic journals from the mid-1990s onwards (Zysman, 1994; Hall and Taylor, 1996; Hodgson, 1996; Immergut, 1998; Thelen, 1999).

Varieties of Capitalism (VoC) quickly became the flagship enterprise of an increasingly self-confident new institutionalist literature among these new strands. The first generation institutionalist VoC approach by Hall (1986) stressed the importance of critical junctures that established institutional formation and interaction patterns and then left those societies locked onto paths. Later, without breaking with historical institutionalism and advocating a creative dialogue between the various schools of institutionalism, Hall moved towards a more rational choice-based form of institutionalism, in which Soskice's early work was already an essential point of reference (Hall, 2009; Thelen, 1999; Soskice, 1990).

Thus, disregarding the way institutions congeal, both in practice and in the imagination of individuals, many authors who gather around neo-institutionalism end up not offering a comprehensive institutional theory.

2.1.2. Institutions and market-economies institutional structure

Each market economy has an institutional structure, whose organization of politics and markets defines the choices of each actor, which produce, politically and economically, specific national dynamics. The institutional structure, in turn, is a function of the specific and differentiated type of industrial and political development, which, by their turn, influence the conformation of the institutional structure.

In addition, the origin of institutions and the rules of a given country are essential to understand how their markets operate, which are differentiated and operate according to historically determined nuances. Furthermore, they progressively evolve by defining routines, rules of incentives, and restrictions, highlighting the importance of history as a process of evolution and change in the country's institutional structure.

In this view, the institutional structure of an economy, combined with its respective industrial structure, creates different patterns of restrictions and incentives (sticks and carrots), which shape the interests of the actors and the type of behavior they adopt. It implies the impossibility of the various countries to create or reproduce identical industrial structures in different economic, social, and regional contexts.

These considerations are fundamental to the choice of historical institutionalism as a theoretical foundation for this work. The triple-core argument of neo-institutionalism approaches - and therefore historical institutionalism - is: 1- institutions, not individuals or classes, are the central element of political life; 2- individuals are essential 'actors,' but it is more beneficial to understand the institutional frameworks within which they act, instead of observing the individuals themselves, their motivations, preferences, and choices, and 3- not only do institutions matter in the explanation, but they are the explanation for most of the occurrences of political, economic, social, and ideological dimensions, constituting independent variables.

For historical institutionalism, institutions comprise designated formal ones, like bureaucratic procedures, government structures, state apparatus, and constitutional norms, also embedding social habits and beliefs. In such a large scope, they have a decisive impact on agents' behavior inserted in the political system, such as legislators, the electorate, and social groups, and, therefore, help determine specific outcomes (Thelen, 1999; Steinmo, 2008; Sanders, 2009).

Under this perspective, one can deduce that the growth trajectories experienced by different countries are created historically from the development of institutions rooted in

national trajectories. There are several ways in which market economies can organize themselves since they are institutionally different. Zysman (1994) follows this proposition that institutions are linked to historical, socio-economic environment formats, and, therefore, have little to do with the rationality of minimizing investment costs' transaction. He is emphatic to say that the historical course of development observed in each nation creates a political economy with different institutional structures valid for labor, land, capital, and all sort of goods markets. Such an institutional structure, therefore, defines types of business and governmental behavior, based or restricted by the logic of the market and the policy-making process, peculiar to the respective political economy.

2.1.3. Historical institutionalism

Historical institutionalism is a research tradition that examines how temporal processes and events influence the origin and transformation of institutions that govern political and economic relations. Since it emerged in dialogue with other institutionalist perspectives, scholars in the tradition have been consistently committed to Ostrom's (2005) goal of improving our understanding and explanations of complex political phenomena. Empirically, historical institutionalists have focused on enhancing political understanding of the origins, evolution, and consequences of humanly created institutions across time and space. In comparative politics, historical institutionalism has been particularly influential and shapes research agendas in a widening array of substantive areas, from research on the modern State, capitalism, law, and economic development to the study of political regimes, political parties, organized societal actors, and public policy (Fioretos et al., 2016).

Historical institutionalists emphasize how timing and sequence of events generate formal and informal institutions and how their emergence and change impact public policies and distributions of political authority. Such emphases have helped to revisit conventional understandings of the origin of significant institutions and articulate why institutions often persist after their original impetus is no longer present. Focusing on temporal phenomena, like critical (historical) junctures and path-dependent trajectories has helped institutionalist studies reveal the far-reaching consequences that institutions may have for the nature of political power and the strategies and preferences. Moreover, by resisting sharp trade-offs between nuanced empirical accounts and general theories that hold across time and space, historical institutionalists use methods to study how processes that unfold over long periods impact distributions of power and policy outcomes (Fioretos et al., 2016).

Some of the early historical institutionalist works highlighted the role of ideas in shaping the preferences and goals of political actors and organizations as, for example, Hall (2003), King (2005), and Weir (2006), explored the conditions under which specific political and economic ideas influenced the policy and institutional choices of different countries. Viewing institutions as carriers of ideas, that guide action by shaping how individuals and organizations see the world and define their preferences, provides a link between institutional structures and cognitive factors. The focus on ideas stands in contrast to the materialist and micro-level emphases in rational choice institutionalism. It bears a resemblance to sociological approaches exploring relations among political actors and institutional formation and reproduction processes through cognitive factors such as norms, roles, and repertoires (Fioretos et al., 2016).

Through the 1990s, historical institutionalism developed rationalist and sociological alternatives. Hall and Taylor (1996) note in their review of the new institutionalism that the historical variant accepted an eclectic mix of the calculus approach embraced by rational choice scholars and the cultural approach of sociologists, regardless of the difficulties to explain the precise causal chain through which institutions affect the behavior they are meant to explain. Therefore, historical institutionalists analyses must pay greater attention to contextual conditions and study whether, when, and how the exact causal mechanisms yield different outcomes across time and space (Falleti and Lynch 2009). In short, historical institutionalism is neither a theory nor a specific method but an approach to studying politics (Steinmo, 2008). It is distinguished by its attention to real-world empirical questions, historical orientation, and how institutions structure and shape political behavior and outcomes.

Hall and Taylor (2003) point out four characteristics specific to historical institutionalism. The first is the relationship between institutions and individual behavior in general terms. The second is the emphasis on power asymmetries associated with the functioning and development of institutions. The third is the tendency to conceive institutional factors and arrangements that favor trajectories, critical situations, and unforeseen consequences. Finally, the fourth is the search for explanations of the institutions' contribution to determining political situations, assessing the contribution of other types of factors, such as ideas.

In historical institutionalism, institutions result from historical processes influenced by conflicts between actors who, in turn, are mediated and influenced by the institutions in a feedback loop. Transposing this assumption to the international order related to institutional change, the international order and the interaction between national States play a key role in defining it (Hall and Taylor, 2003).

The origins of the historical institutional perspectives go back to the work of State historians in the 1980s, particularly Skocpol (1979, 1992) and Evans (1992; 1995). They argued for the State to be placed at the analytic center of social, political, and economic processes. They analyzed the State in a disaggregated way by looking at a series of institutions and their historical effects (Steinmo, Thelen, and Longstreth, 1992).

When viewed from the neo-institutional perspective of history, what stands out from those institutionalist studies is the definition of the State as a product of interactions. It is not configured as a discrete entity, separate from society, but as a system of institutions. Skocpol (1979, 1992), Evans (1992; 1995), Evans and Chang (2005), and others, elaborated studies in the scope of what can be called historical neo-institutionalism, referring to a medium- and long-term analytical perspective.

For Skocpol (1995), the fundamental approach of historical institutionalism is a configurational perspective that does not privilege any actor, position, or specific process a priori. It prioritizes the structure of relations between institutions and actors, whatever their nature. For her, the interrelation between institutions and the formation of groups is a central theme in historical neo-institutionalism since it directly addresses how actors and their interests are historically constituted.

Following this path, Hall (1986) stresses that, independently of the importance attributed to the organization of the State, institutional analysis, broadly defined, must include the general aspects related to the organization of social groups, and the channels and forms of interaction between State and society, in addition to more strictly economic institutions, which include industrial relations and capital organization.

Historical institutionalism emerged and developed as a critique of structural functionalism, seeking explanations about the unequal distribution of power and resources from the conflict between the institutional organization of the political community and economic structures, examining political and social institutions and the relationship between the actors in institutional contexts by examining historical dynamics and causal theoretical descriptions. (Lichbach and Zuckerman, 1997; Hall and Taylor, 2003).

Studies anchored in historical institutionalism and operationalized from the concept of path dependence, such as this research, often employ two main concepts: critical junctures and development trajectories (path dependence) (King et al., 2005). Critical juncture is concerned with establishing and evaluating the crucial moments of institutional formation, incorporating questions of temporal sequence, and observing the different patterns of interaction between

political processes. Development trajectory suggests that institutions continue to evolve, responding to environmental conditions, but always in line with previous trajectories (Thelen, 1999). The analysis of critical situations seen through the historical institutionalism lens allows institutions to be viewed as lasting legacies of political conflicts, emphasizing the temporal sequences and patterns of interaction between political and economic processes in the formation and evolution of institutional arrangements (Katznelson, 1997). Thus, in this type of research, the political process is not seen in isolation. It examines both the political and economic development of the historical context in terms of the unfolding of processes. Next, development trajectories help to explain how stable policy patterns persist and reproduce over time. Consequently, understanding when political change is possible requires an analysis of mechanisms through which previous patterns are sustained and reproduced (Thelen, 1999).

While supporters of neo-institutionalism of rational choice argue that actors seek to act rationally in their interest and can be constrained by institutional limits, works based on historical institutionalism claim that institutions can shape, or even change, actors' preferences. Such preferences are socially conditioned and sometimes even contrary to their interests (Hall and Taylor, 2003).

In historical institutionalist studies, it is frequent to subsidize analyses involving different trajectories and institutional arrangements through comparative studies (Thelen and Steinmo, 1992). Contributing to the historical institutionalist approach, Mahoney (2012) provides it with a methodological technique called path dependence that helps to understand phenomena in which a historical accident or a critical juncture can trigger an irreversible causal sequence, the source and this sequence being the generator of a new institutional system, consolidating or reconsolidating actors in power and preventing disadvantaged entrants in the political game.

For Pierson (2004), analyses informed by historical institutionalism are promising when concepts and techniques like path dependence, positive feedback, and progressive returns are adequately used. Besides, the historical trajectory, the moment, and the sequence of events matter for understanding the chosen policy choices, given the expected results. In this sense, the concept of path dependence, within the scope of historical institutionalism, links causality with the trajectory followed, based on the idea that previous choices regarding a policy define specific paths, influence future decision-making possibilities, and determine outcomes.

The historical institutionalist perspective aims to understand why, from the point of view of institutional dynamics, the political choices made in a given context unfold, over time, in the

creation of rules and structures, in the mobilization of resources of different types, and the involvement of social actors. This theoretical perspective stresses that institutional historical outcomes, whatever the case, are due to this movement of incorporating an institution to a given policy, which increases the possibilities of its continuity, and once being implemented, it further reduces the possibilities of radical changes in its direction. In addition, over time, the costs of change increase, not only financial but also political and social, making setbacks unfeasible (Pierson, 2004).

2.2. Organized Capitalism

Alongside historical institutionalism, organized capitalism is the second structure of this study's theoretical edifice. It relates the positive State's potential actions under the pressures of a cyclic and unpredictable industrial capitalist economic environment (Kalecki, (1966 [1993])). Callaghan and Höpner (2012) say that for Wehler (1974), the first organized capitalism ideas date to the so-called Founders' Crisis³⁰. Sparked by a stock market crash in 1873, this crisis lasted until 1879 and caused significant company finance and corporate governance changes.

In the 1920s, Hilferding (1927/1982) used the term organized capitalism to describe shifts in the balance of power between the firm and society: "The management of the firm," said Hilferding in his SPD convention speech in 1927, "is no longer the private affair of the capitalist but societal business" (Hilferding 1927/1982:217). Following Hilferding, Naphtali's commission on "economic democracy" described organized capitalism as the "firm's integration into (...) societal commitments above the firm level" (Naphtali 1928/1969:26–27). It is important to note that "societal" referred to the public interest and particularistic interests such as the interest of the capitalist class or one of its factions.

The 1929, speculative collapse and the economic crisis that followed it gave rise to the studies that came to be called organized capitalism. In the view of Keynes (1936), the market is the fundamental mechanism of coordination, but not the only one, because the State can also intervene to guarantee optimum efficiency. Its policies are legitimate with the objective of regulating the cycles of growth and recession.

Related descriptions of the term can be found in Sombart's (1932/1987) work and Pollock's (1933/1975) addressing late nineteenth and early twentieth-century German capitalism. Shonfield (1965) described the modern corporation much nearer to organized

³⁰ See

https://webcache.googleusercontent.com/search?q=cache:BO56cEBVV1QJ:https://www.mpifg.de/pu/mpifg_ja/WEP_35_2012_Callaghan.pdf+&cd=11&hl=pt-BR&ct=clnk&gl=br

capitalism's vision, demonstrating the affinity between his concept and this capitalist type. However, over the years, even historians lost interest in the concept. In the comparative capitalism discussion that has taken place since the early 1990s, explicit links to the concept have been virtually absent, irrespective of the fact that the term is sometimes used as a synonym for coordinated capitalism in the Varieties of Capitalism literature (Hopner, 2007). The attribution of what would be its most striking characteristic varies according to the author. For Bresser-Pereira (2014), for instance, an author intensively used in this study, organized (or technobureaucratic) capitalism is characterized as a mixed social formation because it contains elements from capitalism and statism.

If so, in cases where the State intervenes sharply and/or continuously in production to promote the accumulation of private capital and implement specific socio-economic policies, its intervention can later take the form of a systematic socio-economic productive profile, starting to serve, through its institutions, as the organizing factor to mitigate conflicts of interest and establish development guidance (Hopner, 2007).

Although Naphtali (1928/1969) states that what interested the early theorists of organized capitalism was the rising influence of trade unions over company-level decisions, this statement must be relativized since the *Mitbestimmung* in Germany, the codetermination law of 1920 (legislation dates to 1920 and its antecedents to 1848), has a long history and has been the subject of considerable economic investigation. Nevertheless, it is necessary to carefully analyze this issue since commentators impressed with the idea that co-determination fosters a well-functioning social democracy and helps prevent divisions in society have taken it as read that what is good for social cohesion and industrial relations is necessarily suitable for economic success. Historically, this is not always the case.

Under this perspective, works councils and trade unions should collaborate closely, as they did. Examples are the Coal, Iron, and Steel Codetermination Act of 1951 (*Montanmitbestimmungsgesetz*) and the general Codetermination Act of 1976 (*Mitbestimmungsgesetz*) that redistributed supervisory board seats not only to internal employees but also to external trade union officials to stabilize the macroeconomic orientation of codetermination.

Thus, the Federation of German Trade Unions (*Deutscher Gewerkschaftsbund*, DGB) was constructed as an integrating umbrella organization to represent the interests of all employees. The DGB member organizations did not compete against each other but enjoyed discrete sectoral responsibilities. Centralization was also the dominant attribute of wage determination.

By law, German wage determination took place at the sectoral level. However, due to the wage-setting leadership of IG Metall in its pilot district Nordwürttemberg-Nordbaden, wage determination was *de facto* centralized and oriented towards macroeconomic developments. These indications of the organization came under pressure in the phase of liberalization from the early 1990s onwards (Thelen and Kume, 2006).

The studies of organized capitalism in Germany provide a counterpoint for the analyses presented below based on the premise of Bismarckian-like organized capitalism in South Korea and not-so-quite-organized capitalism in Brazil during their developmental State-driven period of the 1960s and 1970s. In Germany, as well as in South Korea one hundred years later, among the aspects that compose this organized capitalist pattern is the interlock between industrial production and necessary social reforms implemented to cope with and potentialize it. Such a worry has old roots, and it brings to light crucial questions in this study.

In this sense, Schmoller (1905) shared with many of his contemporaries that a social reform policy must accompany society's rapid industrialization if revolutionary upheavals were to be avoided. The resulting problems – the rise of an industrial working class, the growth of cities, the fight for land, and the emergence of industrial centers – were discussed by economists of the time and qualified as 'the social question.'

In nineteenth-century Germany, by raising the social question to the status of the central theme in the discussion of the national organization of civic society, the German Historical School of Political Economy was able to challenge classical economics and propose an alternative development pathway. Regardless of the context, PCH developmental State model followed the learned lessons of this German organized capitalist regime and applied its precepts in South Korea. The Brazilian developmental State of the 1960s and 1970s, due to distinct State-business characteristics, followed a divergent pathway, selectively embracing the organized capitalism precepts and rebalancing them in favor of particular and immediate social groups' interests.

2.2.1. Organized capitalism and developmental State model: fitting limits

A question that emerges from the above discussion is whether a developmental-State model fits into the limits of an organized capitalist regime. For clarity, a model is understood here as an organized set of socio-political and economic experiences and a regime as an implemented model. Other questions follow, such as what ideas created and sustained both? What purpose did they serve? Which actors and social forces embodied them? What

institutional logic built and reinforced the developmental-State model and the organized capitalist regimes and somehow rejected dominant laissez-faire patterns?

These two organizational patterns -models and regimes- emerged either at moments of economic crisis or by the need to overcome market failures, precisely because where they happened, liberal ideas had failed or were inadequate or insufficient for generating the needed economic growth and social development. The implementation of these coordinated patterns comprised fast dynamics, flexible and effective institutions, and innovative ideas in the context of State and nation-building or rebuilding (Bresser-Pereira, 2019; Thelen 2004).

Organized capitalism ideas helped to create what Varieties of Capitalism (VoC) authors called the first Coordinated Market Economy in late nineteenth-century Bismarckian Imperial Germany, and indirectly informed developmental-States models' concepts around the turn of the second half of the twentieth century, mainly East Asian and Latin American countries. South Korea and Brazil are examples. The idea of the need for organizing capitalism to quickly develop a country is based on two assumptions: 1- as an understanding that strict liberal actions would not be sufficient to stand up a crippled country without social uprising and make it catch up technological gaps with early industrialized economies; and 2 - the idea of the need of a developmental State to unblock more productive industrial paths and short the way to development.

Thelen (2004) and Streeck and Thelen (2005) have argued that the creation of coordinated regimes through organized capitalism ideas in Bismarckian and Post-WWII Germany was an interactive, experimental, trial-and-error process that owed much to the innovative capacities of the economic and political actors and the institutions created. There was no system designer for these experiences but given the pressure to industrialize and develop politically in providing access to resources, markets, and capital, these material pressures forced specific arrangements as the only way to industrialize rapidly since the strict liberal track option seemed inadequate. To the extent that Bismarck or Adenauer/Erhard "planned" these German regimes, they were in the context of State formation and re-formation, respectively. Thus, in Germany's early-twentieth-century organized capitalism, the network core consisted of the largest financial firms, above all Deutsche Bank, Dresdner Bank, and Allianz, which traditionally cooperated rather than competed. Hilferding described this structure of the German economy in his early book *Das Finanzkapital* (Hilferding 1909/1923). Because banks in the network core acted as creditors for a large part of the German economy, they became "opponents of any downward

competition that might put their customers at risk, endanger their credits and put an end to their business opportunities” (Hilferding, 1931/1982: 242). Therefore, they boosted industrial cartels and developed a macroeconomic orientation, i.e., they took care of German industry rather than single firms and forced firms to take care of each other (Beyer 2004). Anticipating one of the core ideas of Hilferding (1927/1982) and Naphtali (1928/1966), Schönlank believed that the process of economic concentration could, in principle, serve political ends (Schönlank, 1890), even more under the auspices of an organized capitalist institutional structure.

The developmental-State models³¹ implemented in South Korea and Brazil were as many learning-by-doing experiences as was the German-organized capitalism ones through coordinate economies and reflected the same institutional creation or modification needs. As to South Korea, the pressures for resources, markets, and capital greatly reflected the German needs, and export-oriented industrialization seemed the viable option and was foresighted from the very first moment by the coup government. Specific State-local business arrangements, favoring almost exclusively national companies implemented it. The South Korean EOI was mainly supported through American low-cost money until the mid-seventies.

Following Schönlank’s late-nineteenth-century arguments that the process of economic concentration could, in principle, serve political ends, South Korean economic concentration and cartelization are good examples of these authors' remarks outside organized capitalist Germany. In the South Korean late developmental process, concentration and cartelization walked hand-in-glove to submit the economy to their private interests. It is plausible to admit that even without the State’s interference, these big South Korean big companies would consensually share the market among themselves and for their own good. However, politically organized capitalists' intentions preceded the strengthening of these companies, and concentration was politically oriented.

Interesting to note, however, that after the May 1961 coup, the US opposed political efforts not to encourage PCH's administration to build the economic structures that could reflect any extra success of the South Korean organized capitalism in the course and empower PCH beyond control. For instance, the Americans considered the first development plan unfeasible. The South Korean intention of building a steel company was put on hold until being finally discarded by the World Bank and financed by the Japanese years later. Privileges to large-scale capitalist organizations seemed not to worry American objectives in the first moment. When it

³¹ This study follows Bresser-Pereira’s typology for developmental States. It comprises a few types as will be mentioned in the next section.

finally did, these companies had already become a too big reality, and concentration was on the horizon.

The Brazilian developmental State of that period followed a different path. The internal market was considered sufficient to anchor an indefinite-lasting sectoral import-substitution industrialization favoring foreign multinational companies, with the necessary infrastructure built up by the State. Some national companies were selected to accomplish such a task, and the costs paid with foreign capital debt were accessed at market prices. Brazilian economic concentration and cartelization are good examples of Schönlank's remarks outside organized capitalist Germany. In the late Brazilian developmental process, concentration and cartelization also walked hand-in-glove to submit the economy to their interests. However, contrary to what happened in South Korea, private companies' interests did not go further than their annual balance sheets, and State companies' interests were compromised primarily to attend business interests and build up an integrated, powerful country to justify the regime's performance while in power. Therefore, as in German and South Korean cases, in the Brazilian one, politically organized capitalists' intentions also preceded the strengthening of companies, and concentration was politically oriented as well. Whether the means were similar, the ends chased by these three organized capitalist experiences differed. Germany and South Korea oriented their concentration processes toward a developmental agenda that incorporated the nation, meaning most of the population, as a key feedback element of the country's empowerment. The organized capitalism and developmental agenda observed in Brazil intentionally excluded most of the population from the benefits generated by the process, selectively benefitting companies and social groups to implement a crippled but profitable developmental environment.

Notwithstanding, the interlocks between the organized capitalism regime, as seen in post-War Germany, and developmental State models which provocatively are proposed under new “garment” now and then by developing countries, provide to the latter experiences that cannot be left aside. The problems faced by the coordinated postwar type of German organized capitalism express endogenous productive obstacles related to competitiveness, free-ride enterprise, and institutional changes. From the 1990s, the German economy has been beset with increasingly uncompetitive industries, persistent structural unemployment, and continued stagnation in eastern Germany (Kitschelt and Streeck 2004; Dyson and Padgett 2006; Prasad 2006; Leaman 2009). The large German banks, which for more than a century served as a guardian for dozens of German firms, began to sever their “Hausbank” relationships with large German firms in favor of focusing on global opportunities and global profits. (Deeg 1999; Vitols

2003). Within the formerly corporatist industrial relations system, German employers deserted their employer associations in favor of “going it alone” with negotiations among the unions (Silvia 1997; Lehmruch 2003; Thelen and Wijnbergen 2003; Kinderman 2005). Further, the share of German workers in trade unions dropped by almost half, now representing less than 20% of the German workforce (Dyson and Goetz 2003). Finally, the Social Democratic Party (SPD), once the exemplar of “capitalism with a human face” after its first years as the leading party in government in the 1970s, then turned to severe retrenchment in the form of the Hartz IV labor market reforms that victimized many of its supporters during the Schröder governments of the early 2000s, only to lose control of the government in the 2005 election (Braunthal 2003; Camera-Rowe 2004; Beck and Scherrer 2005; Allen 2009).

Whether the interlocks between the organized capitalist regime and possible neo-developmentalisms can pave the way ahead, it also brings insights to understanding past developmental State models’ experiences. The inglorious end of Germany’s organized capitalist economy came to be characterized as one comprised of cumbersome, limiting, sclerotic institutions incapable of adaptation. Only a turn to neo-liberal market approaches was then said to be able to pull the German economy out of the doldrums (Alesina and Giavazzi 2006). Likewise, the inglorious and slow decay of the Brazilian developmental State of the 1960s and 1970s, trolled by debt and absence of productivity growth from the 1980s, not to mention the low degree of innovation embedded in their industrial products, justified neo-liberal economic interventions. Thus, the revival and assault of neoliberal economic perspectives from the US and Britain represented a death stroke for the Brazilian developmental State model. On the other hand, the South Korean model, seemingly so to speak, absorbed the impacts of this increasing pungent neo-liberal ideological assault and somehow adapted it to this new international quasi mandatory profile to its robust capitalist productive system. However, while the 2008 financial crisis and subsequent severe recession have cut short the enthusiasm for neo-liberal solutions in Germany and elsewhere, the common consensus remains that updated versions of Germany’s organized capitalist economy do not offer much promise.

Organized capitalism and developmental State models, regardless of their contextual differences, converge to a point, and this is valid for past or any other future-like developmental experience: to not organize the domestic productive system was not an option to grow and compete internationally. Rather than wait for capitalism to evolve as it had in the Anglo-American world slowly, it needed to be fostered quickly to take the most profitable paths. (Jackson 2001). Thus, in both the late-19th century Germany as in mid-20th centuries coordinate

German economy as in South Korean and Brazilian developmental States, all of these experiences counted on the State to encourage and allow large firms to form and concentrate, regardless of the industrial pattern chosen.

Rapid economic transformation based upon industrial development and largely export-led growth did not offer immediate benefit to ordinary Germans. The same can be said about South Korea under EOI and Brazil under ISI. In the German case, both Bismarck (Hicks 1999; Hennock 2007) and the “fathers” of the Social Market Economy, Adenauer, and Erhard (Röpke 1960; Nicholls 1994; Spicka 2007), realized that such transformation generated social dislocation that required protective social policies to be mitigated. Such policies were preventive policies to minimize social tension and political opposition while the economy grew. In this spirit, Bismarck created the first social insurance schemes (while simultaneously banning the then-revolutionary Social Democratic Party) as a mitigation mechanism (Allen and Meigs, 2009). In the South Korean case, the agrarian reform mainly copes with this transitional task. In the Brazilian one, the selective social developmental agenda postponed the resolution of the transitional social issues, degrading the social net and compromising a long-term institutional transformation.

The visionary ideas that embodied these institutions were in Germany the “marriage of iron and rye” that Bismarck forged between the feudal Prussian lords (Junker) who needed a way to get their grain to market and the new money industrialists who needed cargo to transport on the new rail system (Dunlavy 1994). The second was Bismarck’s “iron fist in a velvet glove” that saw him first ban the SPD in 1878 but then initiate one of the SPD’s major demands, namely creating a welfare system, in the 1880s (Manow 1997; Manow 2007). When the SPD was made legal again in 1890, they were a much less revolutionary party. This juncture of ideas and newly created institutions took place in a context of State and nation-building that made many of these actions possible. To be sure, this was not a stable foundation that Bismarck had built, as he had to rely on aggressive nationalism and considerable political repression as major tools.

This autocratic version of organized capitalism was economically and politically successful for a time. It allowed Germany to industrialize, focusing on the foreign market, unify and grow an independent economy in the nineteenth century, benefiting the whole nation. Decades later, a non-autocratic version of this organized capitalism oriented the post-War Germany to regain economic and social confidence. However, inconsistencies in the regime gave room for questioning, and it started vanishing in the mid-1980s, pressured by neo-liberal market forces. The same can be said about South Korea in correspondent terms about its significant export-

oriented industrialization and social and technological upgrade under an autocratic government. Different outcomes are observed in the Brazilian case due to different institutional pathways chosen during the military period. In short, organized capitalism regimes and developmental State models seems to respond differently according to ideological premises embedded in them. In the first two cases, the nation's greatness and well-being were comprised as ultimate goals. In the latter, the country's greatness should be the reflex of selective policies offered to selective social groups.

2.3. Developmental State

Haggard (2018) says that the developmental State (hereafter DS) concept entered the social science lexicon with the publication of Johnson's³² (1982) MITI and the Japanese Miracle, an agenda-setting work in which insights were quickly extended to understand developments elsewhere in Asia. In Latin America, somewhat similar ideas were presented in the classical works of the leading analysts of national-dependent development (Prebisch, 2000; Furtado, 1961, 1967, 1974; Sunkel, 2000; Pinto, 1976; Jaguaribe, 1962; Rangel, 1962). Both classic developmentalism and DS literature argued that the market could not ensure the right microeconomic pricing in developing countries, particularly in the early industrialization stage, and proposed industrial policy as a remedy.

In Johnson's perspective related to Asia, the "high" DS era encompassed the 1950s and 1960s in Japan and the 1960s and 1970s in South Korea and Taiwan. Singapore and even apparently laissez-faire Hong Kong were included in comparisons as well. Somewhat more cautiously, DS was deployed to understand Southeast Asian cases such as Thailand and Malaysia in the 1970s and 1980s, although with some significant debate about whether they fit the developmental-State model or not.³³ The DS literature widens out in a variety of important ways: to a more extended history of heterodox thinking about the role of the State in the development process; to comparisons between countries that boosted and upgraded their socio-economic profiles, and those that did not; and ultimately to the economics and politics of growth itself (Haggard, 2018).

³² Johnson (1982) formulated the concept of DS to explain the success of the Japanese development model, which was later used to interpret the South Korean case. In the same tradition, scholars such as Amsden (1989), Chang (2002, 2008), Wade (2004), Evans (1995), among others, proposed novel studies. In short, these authors interpret that between the 1960s and the beginning of the 1990s, the South Korean State assumed a leading role in the execution of a national development project understood within a priority industrialization strategy, conducted through specific coordination, strategic vision, institutional development, and competitive training in the international market.

³³ As before mentioned, this study follows the idea of a multiplicity of development-State models.

DS challenged the liberal paradigm concerning the appropriate policies for achieving rapid economic growth and the institutions –and underlying politics –for getting there, raising the possibilities of its elements being replicated elsewhere, at least in some respects (Haggard, 2018). Initial proponents of DS had two purposes. First, to challenge orthodox explanations of economic development, by challenging an emergent body of neoclassical thinking that saw East Asia’s growth caused by the adoption of market-conforming policies, most notably towards the external sector. Thus, Johnson’s (1982) central claim was that Japan’s high postwar growth could be traced to industrial policies that differed from State socialism and the regulatory State of Anglo-Saxon capitalism. Second, a research agenda to probe the political foundations of rapid growth. Industrial policy in the developing world was ubiquitous but not equally successful and, therefore, scrutinizing the political economy of successful industrial policy was a must since the institutions capable of conducting such policies come from the economy-politics interlock.

The political theory of DS also implicitly challenged an emerging orthodoxy. The DS literature took an institutionalist approach to politics, but rather than focusing on the rule of law and property rights that characterized the so-called new institutionalist economics, or on formal political institutions that preoccupied most political scientists. Its initial emphasis was on the autonomy or insulation of the government from rent-seeking private interests, delegation to lead agencies, and coherent bureaucracies.

Johnson was also acutely aware of the centrality of business-government relations to the Japanese model. Subsequent contributions by Evans (1992; 1995) and others refocused the debate on the social foundations of rapid growth, particularly the relationship between the State, the private sector, and labor organizations that appeared politically subordinated and tightly controlled. Haggard (2018) claims that, in addition to these substantive contributions, the methodological approach of DS was also distinctively broadened. Despite much of the DS research agenda taking a comparative historical approach that treated a few countries and industry cases in great depth, it also used analyses based on increasing returns, market failure varieties and externalities, and econometrical tests, either through cross-national quantitative designs or through studies of the effects of the intervention on select industries.

The core idea of DS is that growth may be hampered by a range of market failures and coordination problems, that can only be solved through State actions. Problems happen because as countries move into new industrial activities, financial and market failures may arise. Furthermore, questions surrounding technology transfer, adoption, and learning must be energetically addressed. Intervention, in this sense, must be understood not simply in terms of

policies undertaken by welfare-maximizing States but as an institution that elicits information and allows coordination actions to materialize between the State and private sector (Haggard, 2018).

Haggard (2018) also mentions that besides challenging an existing orthodoxy in political economy, DS ideas check the property rights and the rule of law approach, emphasizing strong –and even authoritarian –executives and coherent, meritocratic, or “Weberian” bureaucracies. Proponents of DS gradually widened their purview from institutional factors to the social underpinnings of growth in the close but controlled relations between the State and the private sector and to the subordination of labor.

2.3.1. The developmental, liberal, and statist States: DS main qualities, differences, and models.

Regardless of being primarily developmental throughout history since its 1400s origins,³⁴ the modern State can, however, economically speaking, assume two primary forms: developmental or liberal. Gellner (1996) emphasizes that the nation-State, or the modern-State as it is called, as a historically generated entity, is the political-territorial unit of capitalism. Therefore, the DS is also historically derived intrinsically linked to it.

The liberal State limits itself to guaranteeing property rights and contracts, controlling the national currency, and maintaining healthy public finances, leaving all other activities to the coordination of the market. In doing so, economic development shall derive from this lack of interference in social and economic affairs. By contrast, an extensive list of attributes is linked to the DS ideal type as requisites to perform its functions well (Johnson, 1982; 1999). The ideal DS³⁵ has economic development as its primary goal; intervenes in the economy directly,

³⁴ See next section.

³⁵ Önis (1991) stresses the importance of Chalmers Johnson on this subject and retrieves from his writings all the characteristics DSs must pursue: "Chalmers Johnson is the pioneer of the concept of the "capitalist developmental state." His model of the developmental state, based on institutional arrangements common to high growth East Asian economies, embodies the following set of characteristics. Economic development, defined in terms of growth, productivity, and competitiveness, constitutes the foremost and single-minded priority of state action. Conflict of goals is avoided by the absence of any commitment to equality and social welfare. Goals formulated specifically in terms of growth and competitiveness are rendered concrete by comparison with external reference economies, which provide the state elites with models for emulation. There is an underlying commitment to private property and the market, and this commitment firmly circumscribes state intervention. The market, however, is guided by instruments formulated by a small-scale, elite economic bureaucracy, recruited from the best managerial talent available in the system. Within the bureaucracy, a pilot agency plays a crucial role in policy formulation and implementation. Close institutionalized links are established between the elite bureaucracy and non-governmental businesses for consultation and cooperation. The organizational and institutional links

not only through regulation; has a small and highly skilled public bureaucracy; controls its foreign commercial and financial accounts and, therefore, the exchange rate; protects domestic manufacturing industry from exogenous products; facilitates machinery imports; separates foreign technology, in which it has a strong interest, from foreign capital, in which it has no interest; creates State-owned financial institutions; adopts credit and fiscal incentives temporarily and subject to constant assessments; adopts a consolidated public investment budget; offers strong government support for science and technology; and eschews detailed laws, leaving room for firms to take the initiative, with discretionary guidance from the public bureaucracy; and last but not least, has strategic industrial policies at the core of its action.

Doner et al. (2005) put the spotlight on institutions in the DS qualification debate. For the DSs are corporate complexes where expert and coherent bureaucratic agencies collaborate with organized private sectors to spur national economic transformation. Castells (1992), by its turn, offers a more political, State-centric qualification, saying that a State is developmental when it establishes as a principle of legitimacy its ability to promote and sustain development, understanding by development the combination of steady high rates of economic growth and structural change in the productive system, both domestically and in its relationship to the international economy.

Nevertheless, for Castells, such qualities may provide a misleading definition unless the meaning of legitimacy is specified in a historical context to avoid an ethnocentric conception of legitimacy related to the democratic State. This is so because, in a democratic conception, the State is legitimate when it establishes hegemony or consensus vis-à-vis the civil society. The trouble here, Castells points out, is that States that have attempted in history to break away from an existing order have not recognized civil society as the source of their legitimacy. The Revolutionary States never pretended to be legitimate in terms of the acquiescence of their subjects but in terms of the historical project that they embodied. In short, when the State's societal project respects the broader parameters of social order, although not necessarily the specific social structure, aiming at a fundamental transformation of the economic order and regardless of the interests or desires of the civil society, a DS has been established.

between the bureaucratic elites and significant private sector firms are crucial in generating a consensus on goals and exchanging information, which constitutes essential policy formulation and implementation components. Nevertheless, another crucial component is a political system in which the bureaucracy is given sufficient scope to take the initiative and operate effectively. The politicians "reign" while the bureaucrats "rule." The objective of the political elite is to legitimize the actions of the elite bureaucratic agencies and make space for the latter's actions.

Finally, Bresser-Pereira (2019:38) proposes a relatively (economically) functionalist, (politically) unsure composite definition:

"The State will be developmental if it: (i) views economic growth as its main objective; (ii) intervenes moderately in the market by planning the economy's non-competitive sector and by adopting strategic industrial policies; (iii) operates an active macroeconomic policy (...); and (iv) is politically supported by a developmental class coalition formed of entrepreneurs, workers, public bureaucrats and sectors from the old dominant class which holds political power and embraces a national development strategy, thereby standing in opposition to a conservative or liberal coalition made up of sectors of the pre-industrial dominant class, rentier capitalists and financiers."

He further struggles to operationalize this overly descriptive definition by purporting to identify and simplistically characterize four DS models at the time of their industrial revolutions:

"(i) the original central developmental State model of the countries that industrialized in the eighteenth and early nineteenth centuries, such as England and France; (ii) the original latecomer central developmental State model of countries that were not colonies but achieved their industrial revolution belatedly, such as Germany and the United States; (iii) the peripheral independent developmental State model of countries that were colonies or quasi-colonies of developed countries, but achieved a high level of national autonomy, industrialized, caught up and became rich, such as Japan, Taiwan, and South Korea, or became middle-income countries, like China, India, Malaysia and Thailand; and (iv) the peripheral national-dependent developmental State model of countries that did achieve the capitalist revolution but, after the deep foreign debt crisis of the 1980s, lost some of their national autonomy and started growing at a plodding pace, such as Brazil and Mexico." (BRESSER-PEREIRA, 2019:39)

The third model, the independent peripheral model, has Japan post-Meiji restoration of 1868 as an exemplar, with its strategy of copying Western technology and institutions to foster industrialization. South Korea belongs to this category. The fourth model, the national-dependent peripheral, adopted by latecomers, failed those in the previous one—Brazil as an example of this category. For Bresser-Pereira (2019), these countries followed a dead-end path based on structuralist development theory engendered during the 1950s and early 1960s, which has as central idea the belief that market failure is a pervasive feature of the underdeveloped economy with the corollary that the State has a vital role to play in correcting it, which is accurate only to a certain extent.

Also contributing to this qualification debate, Johnson (1999) argued for a view of the term DS in context and relation to the liberal and statist States.³⁶ When attributing the concept of DS to Japan to characterize the role the Japanese State played in Japan's extraordinary and unexpected post-war enrichment, he never implied, however, that the State was solely responsible for Japan's economic achievements or that it behaved like the State in command economies in assigning tasks and duties to the Japanese people. This remark must bear in mind by those studying East-Asian Japan's emulators. State guidance and statism are for Johnson, therefore, two different dirigiste profiles. And so, considers this study.

Thus, Johnson's remark concerning the Japanese DS, emphasizes that it must not be attributed to the Japanese State the sole responsibility for economic achievements, nor should be attributed solely to its bureaucracy the outstanding capacity to command economic assignments and tasks and control the population's duties. In this sense, it lights up the way and shows that the same considerations must be applied to South Korea and other East-Asian countries in their flying geese³⁷ metaphorical development trajectories (Amsden, 1989; Woo, 1991; Wade, 2004).

2.3.2. From approach to theory: trying to structure the DS concept

Since its formulation by Johnson in 1982, the DS approach received contributions intending to provide it with sound cognitive structure and tools. Haggard (2019) states that Wade's (2004, 2004) and Chang (1994) studying the developmental States of Taiwan and South Korea sought to give Johnson's approach more structure by outlining the policy elements of the "governed market," or GM theory. The GM approach, Wade (2004, 2004) argued, emphasizes capital accumulation as the principal general force for growth and interprets superior East Asian performance as the result of a level and composition of investment different from what free-market policies would have produced, and different, too, from what the interventionist economic policies pursued by many other late-developing countries would have produced. In effect, the GM theory interpreted the challenge of growth to reside in coordination problems that private actors cannot resolve efficiently through private contracting and exchange. In this

³⁶ As to this issue, Johnson (1999) said that Anglo-American theory taught that there were only two explanations for Japan's wealth – it must be an extreme instance of "getting the prices right," or Japan was toying with socialism and would soon begin to show signs of Soviet-type misallocation of resources and structural rigidities.

³⁷ Kaname Akamatsu first proposed the flying geese metaphor in 1962 in "A historical pattern of economic growth in developing countries," *The Developing Economies*, vol. 1, No. 1, Hoboken, Wiley. It expresses the way Asian countries copied the Japanese model in waves.

sense, three kinds of coordination problems received Wade's (2004, 2004) and Chang's (1994) attention: 1- those that arose in moving from agriculture to industry and within the industry; 2- those associated with financial markets; and 3- those that surrounded the transfer and adoption of technology. They argue that 1- efficient investment can be deterred by small market size and the absence of complementary suppliers or customers, 2- current market prices do not adequately convey information about future growth, and 3- countries forgoing investors must remain alert as to what extent they can lower production costs through larger plant size and learning effects. Thus, for Wade (1992, 2004, 2014), regardless of the impact of the State's intervention through industrial policies on firms as the primary driver of industrialization catching-up processes, Taiwan's DS and its fast economic growth must be placed on the corporatist politics that sustained both. Likewise, similar aspects can be found in other East-Asian countries, particularly in South Korea.

Amsden's (1989) significant contribution is materialized in her infamous dictum that the East Asian countries succeeded not by "getting prices right" but by "getting prices wrong," later assimilated by Wade (2004, 2004) and Chang (1994) when saying that current market prices do not adequately convey information about future growth. Such a dictum brings serious operational repercussions, according to Amsden, and, if one intends to follow a fast track to development, it must be observed, and certain actions performed. In this sense, shared information between the government and the private sector, monitoring of firm behavior, interventionist practices such as subsidies, protection, and other direct supports to private business can overcome these collective action problems and push the economy to a fast and good equilibrium.³⁸

Ross Schneider's (1999, 2015, 2018) contributions are related to the identification that historically the DS approach has been composed by four primary characteristics, and whether they must remain or be excluded from an effective DS structured core if there is such an intention to structure one, is open for debate: 1- State-dependent profits and investment; 2 - a developmental discourse dominated by the need to industrialize and the role of the State in fostering industrialization; 3 - a highly institutionalized public sector bureaucracy; and 4 - the exclusion of most of the population from the developmental process. For him, DS experiences have proved that the successful ones were transitory, and once the industrial revolution was completed, the State's role faded away, opening space for the market itself to act. Such a fact

³⁸ For, states Amsden (1989), the successful goose flight of South Korea is due fundamentally to the differences of its DS's microeconomics from those recommended by the liberal economics textbooks.

must be observed if a DS theory is intended to be structured since the approach historically suggests that at this stage, a country's economy must follow as much as possible the market rules since the economy becomes more complex, and the market is far more able to deal with this complexity than the State.

Önis's (1991) contributions to this structuring debate focus on issues related to State intervention. The pathway from an agricultural economic basis toward an industrial one, using the DS fast track approach, has historically been made using the import-substituting industrialization (ISI) as an operational mechanism, later to be substituted by the exported-oriented industrialization (EOI) or not. Önis says, however, that the neoclassical theory correctly noted that extensive State intervention to promote import-substituting industrialization should come to generate inefficient industries, requiring permanent subsidization for their survival with little prospect of achieving international competitiveness. Moreover, extensive government intervention historically tended to generate rent-seeking on a substantial scale, which detracted the attention of economic agents from productive activities into lobbying for increased allocations of government subsidies and protection. Therefore, he stresses, countries under ISI policies can be developmental enough to achieve the industrial revolution but may become unable to maintain rapid growth rates.³⁹

As plausible as Schneider's and Önis' observations may sound, they are by no means entirely accurate, according to Bresser-Pereira (2019). He contributes to the qualification debate arguing that since any industrial revolution is an ongoing revolution and, therefore, industrial, and technological patterns change all the time, the presence of the State or a State-like institution to coordinate the efforts to face these inevitable changes is required:

The market takes on a greater coordinating role once a country has become capitalist, but this is not to say that the State must cease to be developmental. (...)The economic explanation lies in the increased economic diversity arising from economic development. As economic activities become more diversified relative to the level of diversity evinced by infrastructure and basic industry firms in the non-competitive sector, the market becomes more efficient than the State at coordinating the numerous and diversified firms that emerge. While it is relatively easy for the State to plan and coordinate infrastructure, and there is no prospect of the market doing it, the market is a more appropriate institution for coordinating diversified activities involving creativity and innovation. Therefore, it can be predicted that once a country's industrial

³⁹ Brazil well represents this alert. In Brazil, for instance, points out Bresser-Pereira (2019), per capita income growth, dropped from 4% a year during its Industrial Revolution, from 1930 till 1980, to 1.2% a year, from 1981 to 2014. Much the same happened in Mexico and retrieving some of Schneider's characteristics of the countries within this model, and he makes some remarks well noted on this subject that may leave some other clues to this dead-end path (Bresser-Pereira, 2019).

revolution is complete, market-based coordination will gain ground on coordination by the State. Nevertheless, this is not to say that the developmental State disappears (...). Instead, the State's economic role changes. Now, the State's essential role in the economic domain is to create the general conditions that make competent enterprises in the country able to compete and willing to invest, which means getting the five macroeconomic prices right (the profit rate, the interest rate, the exchange rate, the wage rate, and the inflation rate) —something the market certainly does not achieve, as can be seen from the regular price and financial instability that characterizes unregulated markets— and planning and partially investing in infrastructure and basic industry, adopting a strategic industrial policy, fostering scientific and technological development, promoting the reduction of economic inequality, defending the environment, which is a public asset, and of course guaranteeing property rights and contracts. (BRESSER-PEREIRA, 2019:44)

Moreover, another contribution brought by Bresser-Pereira (2019) is concerned with his requalification of the DS in several DS models. According to his understanding, which oriented this study to a great extent, various models of DS have existed throughout history, based on whether these development processes were original or latecomer, central or peripheral, first or second wave and every industrial revolution that ever happened in each of those countries that changed their productive pattern from agricultural to industrial has taken place within the framework of one of these DS models.

2.3.2.1. DS policy tools

There is a high degree of continuity both in theory and in the policy tools used by early industrial nation-States and latecomers during the transitional period towards an industrial capitalist productive system (Chang, 1998; 2002; 2002b; 2008; Gerschenkron, 1962), which can be traced back to the late 1400s and lasting until the post-World War II period in a wide range of the political spectrum: from an infant national industry protectionism through financing, tax exemptions and reserve market to a welfare-State, fostering labor and implementing wage and social care policies with a positive impact on the consumption and production factors (Reinert, 2007; 2010).

This relatively old protectionist toolbox used a combination of interventionist industrial, trade, and technology policies to foster the development of their nascent industries and stimulate catch-up processes, being remarkably stable over time although increasing in sophistication (Chang, 1998; 2002; 2002b; 2008) and containing the active use of subsidies, differentiated tariffs, and other protectionist measures such as distribution of monopoly rights (Caldentey, 2008). In addition to these protectionist policies, the developmental strategies

contemplated to enlarge national capacities through research, development, education, training, stimulus to foreign technology acquisition, and public-private cooperation practices (Chang, 1998; 2002; 200b; 2008).

In a retrospective view, protectionist policies, starting in England by the end of the 15th century, have been used by many countries since then, and even under the recent neoliberal ambience, when conducting their industrialization processes. Moreover, these policies are still used to a certain extent, although frequently denied by representatives of the strict liberal market-economy ideology (Chang, 1998; 2002; 2002b; Reinert, 2007; 2010).

Johnson (1982, 1999) and Wade (2004), however, to save the main characteristics that compose a DS approach, prefer not to enmesh the use of DS tools within the liberal State conceptual framework, and converge in their understanding that 1- the liberal market takes care of almost everything for development, but a few necessary actions out of its reach; and 2- a developmental toolbox necessarily must contain a specific set of policies to enable the government to guide the process of resource allocation that results in different production and investment profiles than the ones under a free-market system. This does not mean that the government should act alone to foster development, but that it must become effective under its guidance with the support and participation of the whole society. Therefore, in this developmental perspective, the set of incentives, controls, and mechanisms to spread risk must be supported by specific political, institutional, and organizational arrangements of both the State apparatus and non-governmental business.⁴⁰

2.4. A three-tiered theoretical framework: historical institutionalism, organized capitalism, and developmental state

To explain different South Korea and Brazil institutional outcomes after roughly twenty years of catching up under authoritarian regimes, this study employed historical institutionalism, organized capitalism, and developmental State as theoretical approaches. Having departed from similar contingent political events, *coups d'état*, irrespective of the role of extant

⁴⁰ Amsden (1989) follows Wade's logic and builds her argument on South Korea as atypical DS case. South Korea's successful development trajectory is tributary to initiatives primarily implemented during PCH's governments in the 1960s and 1970s. They turned the country into a prototype example of a DS where market rationality was constrained by the priorities of industrialization. The government performed a strategic role in taming domestic and international forces, harnessing them to national economic interest by fostering rapid industrialization at any cost, mainly through discretionary subsidies offered to a select group of industries amenable to the State's offer to expose them to international competition, ultimately fostering technological progress and labor productivity growth. This developmental perspective contrasts starkly with liberal market assumptions that maximize profitability based on current comparative advantage.

particularities existing in each of these two countries, counterintuitively they reached distinct outcomes at the end of this period and onwards, favoring South Korea to a great deal. Thus, the selection of a three-tiered theoretical framework to assist in explaining the alleged developmental puzzle was informed by their intertwined possibilities.

Their interlocks are expected to make the research theoretically sound. For instance, the national development strategy analytic unit of the DS approach fluently dialogues with organized capitalism, particularly on aspects related to the State's role to orient investments, which specifically repercuss on the outcomes derived from them, whether in favor of the nation or the country. This is so because they are based on the ideological assumption that under organized capitalism precepts it is crucial to zeal for the nation's destiny. Nation, for its turn, is the key analytical element to open the alleged puzzle box proposed by this dissertation. Once opened, argued this study when it was proposed, it could display the rationale that underlined the South Korean and Brazilian distinct late development process of the 1960s and 1970s. Key it was because this concept may carry two different connotations, according to the different organized capitalism premises embedded in them. One connotation is inclusive and encompasses the idea of a general population within it; the other one is excluding and selectively treats this population and social group's interests. For this second connotation, this study attributed the term "country".

Moreover, the interlocks are visible. For instance, as much as any DS model, organized capitalism regime historically has shown that for keeping the economy running and prospering in the medium and long-run, market intervention, albeit unnatural, was sometimes needed. Even more for late industrialized market economies, for which the production and financial routes pursued were necessarily different from the ones followed by the forerunners. Thus, next to intervention, sound coordination was needed to reduce the impact of time in catching up if one intended to see an institutional transformation occur.

Derived from this assumption, history shows that organized capitalism and DS sometimes followed development trajectories, and some others, growth ones. Following such different paths, they proposed policies, if one or the other, of a dubious inclusive nature according to the needs. Naturally, such different development approaches impacted institutional outcomes: if the institutions generated for or during the catching-up process had merely or mainly growth as a desirable outcome to achieve, the institutional transformation would resemble this premise. A similar logic must be applied for development as a guiding premise.

Another connecting point is related to ideological and practical instruments to foster institutional transformation. As much as DS, organized capitalism precepts carry the notion that ideologies and coalitions impact institutional changes, and so, as history can prove, for both theoretical approaches, the quality of the State-business relation and the elements used to operationalize it under the enmeshing of ideological precepts and business interests become determinant factors for achieving the desired outcomes.

The observation of DS experiences shows that organized capitalism's issues have addressed the catching-up process embedded in DS manifestations throughout history, broadly transforming institutions and generating different outcomes in different places. After all, in the end, history will be told by the institutional transformation achieved. In this sense, historical institutionalism serves as a theoretical layer underlying both other approaches since it conceives that any institutional transformation embodies not only formal institutions but also ideas in the form of values and beliefs that may foster or prevent any catching-up process to happen.

PART II

SOUTH KOREA AND BRAZIL: IDEOLOGICAL BACKGROUNDS, DEVELOPMENTAL PATHS, AND OUTCOMES

The second part of this dissertation presents in a first moment the primary three explanatory streams used to explain the different results achieved by late industrializing countries. Each, isolated, strives to trace back the results through different theoretical premises, privileging either the proper use of market mechanisms (liberal stream), the domestic context (endogenous or State-driven stream), or the external environment (exogenous or geopolitical stream). This study is not bound to any of them individually and will incorporate relevant elements from each to develop its own explanatory framework. Discussing the different developmental paths throughout the 1960s and 1970s, taken based on specific ideological backgrounds, and resulting in divergent outcomes observed in South Korea and Brazil from the end of the 1970s onwards, it adopts heterodox premises, with a focus on the adaptative nature and path-dependent trajectory of institutional arrangements and policies formulation and implementation in both countries, decisively interfering in their development trajectories.

The liberal explanatory stream points out that the success or relative failure of those Asian economies, *vis-à-vis* Latin American ones, is due to the implementation in the former of an EOI model associated with consistent policies of stimulating strict market mechanisms in opposition to the permanence of the ISI model and inadequate market policies in the latter. The second one, endogenous stream, delves into the leading role played by the State in late industrializing countries, both in the elaboration of sound socio-economic policies and in their implementation to overcome an underdeveloped (peripheral or dependent, varying accordingly to the school of thought) condition. Moreover, in contemporary debates, for their role in overcoming the middle-income trap.⁴¹ In this stream, regardless of the democratic or authoritarian character of the State, East Asian countries assumed a leading role, backed by

⁴¹ This semantic debate is highly valid on literature since depending on the ideological bias of the reader different explanatory environments unfold. In general terms, there are four major theories of development: modernization, dependency, world-systems, and globalization. These are the principal theoretical explanations to interpret development efforts carried out primarily in developing countries. These theoretical perspectives differ as to their premises when proposing public socio-economic transformational policies. However, despite recognizing the theoretical differences among these terms, these differences do not impact our main argument for all purposes in this study.

State initiatives combined, mainly, with long-term developmental EOI strategies of increasing technological complexity during the 1960s and 1970s. Such a strategy sought to combine State and business interests. In South Korea, argues this study, such a project was oriented to build up a great nation. By contrast, Latin American ones underwent State developmental interventions, focused mainly on the short and medium-term growth strategies with a dependent bias, but also linking business and State interests. In Brazil, argues this study, such a project was oriented to build up a great county. Nation and country, as seen, embed different semantics.

The third stream (exogenous) sustains the view that the past and present international context and the geopolitical structure determine the success or relative failure of the development trajectories verified in late industrialized countries during the 1960s and 1970s. Further, it also incorporates the issue of EOI versus the ISI model to explain the different results observed by throwing light on ISI's permanence as the dominant model in a few of them and the consolidation of the transition from ISI to EOI in others. Or even, in rare cases, the straightforward establishment of EOI as a development model.

According to the literature, these three options have promoted or co-determined each development trajectory's degree of success or failure. None of them, however, this study argues, explicitly brings into their analytical core any ideational factor, as if the answer to East Asian successful development trajectories and Latin American alleged failures ought not to be sought at all, either directly or contributorily, in the ideational social-political environment nurturing economic policies in these countries. Moreover, even in South Korea and Brazil, where, indisputably, specific policies of a nationalist nature were designed and publicly presented, regardless of their different nuances, with national interests not rarely trumping economic components dictated by the liberal orthodoxy, ideational factors were considered relevant in the analyses.

Next, in a second moment, the study incorporates these primary three explanatory streams ideational analytical elements and puts them under the scope of economic nationalism,⁴² coupled to nation-building elements, to strengthen the understanding of the empirical analysis. Explanatory contributions from the three previous perspectives and of their promising combinatorial possibility were considered insufficient to make sense of the developmental trajectories and clarify the processes under the scope, as they implicitly

⁴² The economic nationalism perspective is marginal in the literature on development and is commonly mistaken as statism, which this study also intends to clarify.

overestimate their own embedded ideological premises and underestimate, or even entirely disregard, nationalism as a critical ideational analytical component for the task at hand.

The three explanatory streams, enriched with the above-mentioned ideational factor constitute half of the dissertation's weft. The other half is made of the counterposing of three analytical pillars: coordination, disciplining, and the idea of nation. The resulting analytically multi-pronged heterodox perspective is based on these three pillars underlying the research theoretical approach. Regardless of dealing each of these pillars with specific sociological themes, they dialogue all the time among them and, for all purposes in this study, as an interrelated compound must be seen. Coordination is employed to dissect the role and interaction of social actors and institutions in their development. The related pillar disciplining, for what matters here imposed by the State over the business, civil society, and the population, ranges from an explicit and coercive disciplining to a more subtle or even of a non-coercive bias. The employment of the idea of a nation focuses on how it was operationalized in each country either as an inclusive or a selective and exclusionary instrument for economic and social development under an industrial structural transformation.

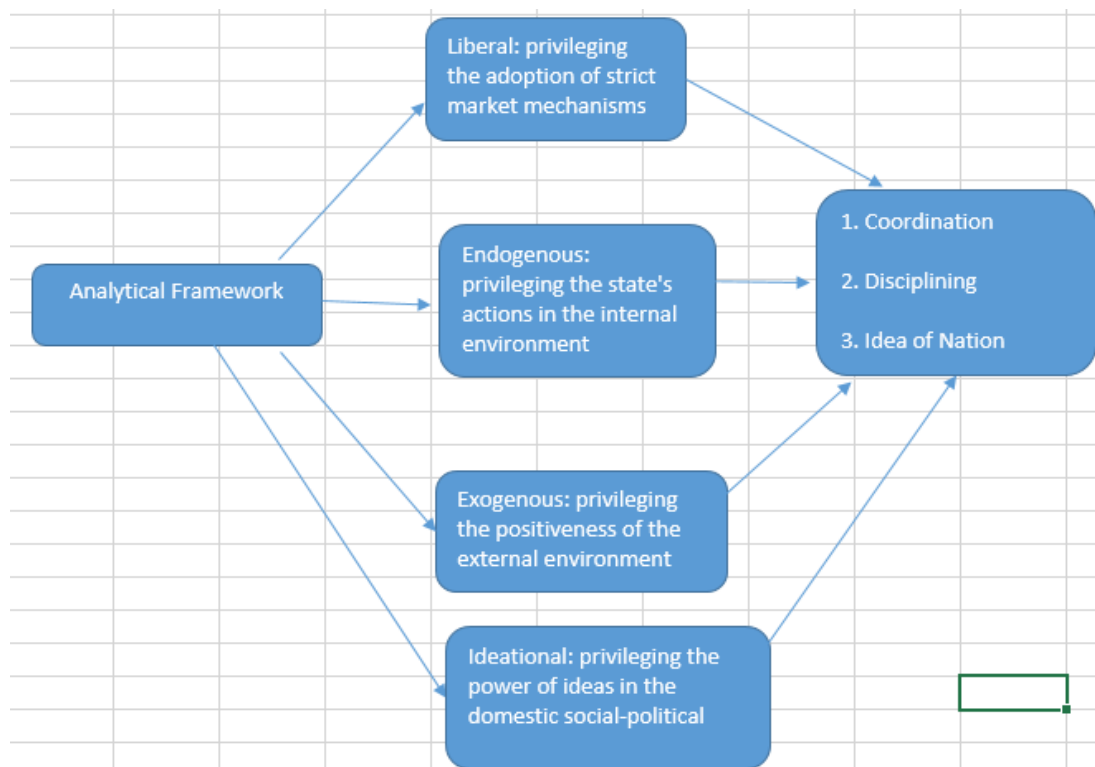
Subsequently, in a third moment, the dissertation presents empirical arguments to sustain the main hypothesis that, despite the contributions coming from those three primary explanatory streams, ideological factors matter if one intends to entirely understand the institutional transformations observed after almost two decades of DS interventions in two countries, South Korea and Brazil, between the 1960s and the 1970s. The choice of these two with-in cases seeks to reflect eastern and western late industrialization paradigms as examples of divergent developmental trajectories and outcomes, allowing the study to evaluate to what extent ideational factors could have contributed to them. On the one hand, South Korea, not an exception in the Eastern Asian group of industrializing countries, successfully materialized a long-term independent national upgrading technological, industrial strategy, and at the same time, overcame the low-income status that characterized it previously and jumped to a high-income status some decades later. On the other, Brazil, a developmental exemplar in Latin America, despite its formidable economic growth in the 1960s and 1970s, remained locked in the middle-income status since then, and at the same time become dependent on foreign technologies to upgrade its industrial park.

The presentation of empirical arguments and the application of ideological factors to unfold the alleged puzzle was done, then, by counterposing coordination, disciplining, and the idea of nation, the three analytical pillars of this dissertation that performs as historical root-

causation for the success and alleged failure of those two eastern-western developmental processes, with the arguments coming from those three development explanatory streams. The intention was to seek complementarities and convergences that could determine their outcomes since, assumes this study, as the Brazilian outcomes were so counterintuitively different from South Koreans, isolated, those defining elements did not satisfactorily explain causes and consequences of those divergent processes. Thus, either the premises in those analytical pillars were wrong, the streams were theoretically fragile, or both. Or none. However, since those premises are derived from collected historical evidence, it could be assumed that they were sound and, therefore, should compose any explanatory tentative and be incorporated into the arguments presented by those primary explanatory streams.

Moreover, being deprived of any of those pillars could be why those streams were not capable individually of proposing a reasonable explanation for the puzzle. Thus, a more robust and encompassing explanation was required regardless of their isolated contributions. It should encompass a combination of select elements from each one of those streams into a broadened explanatory perspective, which hopefully, satisfactorily could provide a better and stronger comparative explanation for the South Korean (in Chapter 4) and the Brazilian cases (Chapter 5) divergent developmental processes, as depicted in (FIGURE 1).

FIGURE 1: Refined explanatory framework



SOURCE: Author.

The broader institutionalist perspective here proposed aims to transcend the structuralist development economics that successfully raised the questions about the crucial role of markets in industrialization but failed to incorporate ideational elements and the geopolitical factors in the analysis. Therefore, this explanatory dissertation proposition goes beyond the endogenous role of the State as the driver of development, the liberal view of the market as the key determinant, the exogenous view where the external environment is the crucial determinant, and the economic nationalist perspective that narrowly interprets successes and failures as determined by a government-driven exclusively by the nation's will or by a self-illuminating leadership. In the end, neither the international context nor market mechanisms can be taken out without damage, nor the State reflects the nation's interests, given that nation is not a monolithic block without internal dissent, requiring constant negotiations to keep on transforming to be able to exist as such.

This refined perspective aims to move beyond an increasingly sterile neoclassical-structuralist-exogenous-ideational controversy in fundamental respects. It converges with, for example, Önis (1991), that reviewing the works of Amsden (1989), Deyo (1987), Johnson (1982), and Wade (2004), critically remarks that to propose either a market-oriented or a State-led development as alternatives to evaluate development trajectories is an a-historical and misleading perspective. Without a doubt, all late industrialization cases had significant degrees of State and market influence, the challenge lying in dynamically establishing an appropriate degree of market orientation and government intervention associated with each development trajectory without leaving out the ideational, institutional, and political arrangements that have contributed to unique performances.

Thus, as in any revisionist perspective incorporating select elements from diverse alternatives placed side by side to compose a new whole and form a hermeneutical covenant to obtain a more robust explanation of a lingering puzzle, concessions must be made from each constitutive part. From the liberal stream, for instance, quite orthodox, the perspective retains the importance of the transition from the ISI model to the EOI for the success of those East-Asian countries. However, it does not argue that the success was due to the correct use of market mechanisms as it advocates. From the second, the endogenous stream, quite heterodox, that claims the State as the main transformational driver, the revisionist perspective here proposed retains most component arguments to build a theoretical backbone, except for the methodological nationalism of a few claimants. From the third, the exogenous stream, which sees the external environment as a critical factor, this revisionist perspective assigns a key role,

albeit non-essential, since it does not disqualify the centrality of the arguments of the endogenous perspective. Finally, this composite perspective retains from ideational perspective intangible elements of an imaginary community without which the idea of a nation becomes excessively fragmented and diffuse, and economically unfeasible to set in motion to sustain a successful long-term development strategy that aims to benefit most of the national population.

In line with the above, Chapter 3 presents a detailed discussion of the three perspectives, followed by a proposal for a mixed and broader refined one. It is, based on the principle that late industrialization development must be understood as a multifaceted, complex, and dynamic phenomenon in which, in diverse ways and for several reasons, the State played diverse strategic roles in taming domestic and international market forces and harnessing them to national ends. This, however, does not imply that: a) there is no disregard for the role played by the market or the international context, as said; and b) although ideational concepts of national ends and nationalism are often confused one for the other, for this proposal this assumption does not imply an embrace of any methodological nationalism and related outcomes directly bound to it. Instead, they will be assessed and pondered under the purview of the theoretical institutionalist approach adopted. Thus, section 1 of this chapter deals in detail with the concept of a developmental-State, a concept dearest to this work since it understands that the comparative processes under analysis share the same developmental ideological background. Section 2 deals with the regional East-Asian and Latin American developmental context under the liberal, endogenous, and exogenous analytical perspectives. Section 3 deals with the role of economic nationalism on developmental processes, enriched with nation-building elements, and presents it as a contributive ideational analytical perspective. Next, Chapter 4 evaluates the South Korean case in detail, treating South Korea as a with-in case study and dealing with the general aspects of its development trajectory under a historical perspective, focusing on the 1960s through the 1970s. Chapter 5 does the same as the previous one, having a Brazilian developmental trajectory as the study case, and, to fundament the arguments, counterpoints relevant issues concerning institutional aspects observed in the two countries.

3. FROM NARROW EXPLANATORY STREAMS TO A BROADER DEVELOPMENT EXPLANATION: INCORPORATING IDEOLOGICAL SOURCES TO UNFOLD THE PUZZLE

This chapter presents a) the DS developmental ideological background under which South Korea and Brazil took significant steps in the Cold War period towards overcoming a precarious socio-economic, and, particularly in South Korea, the industrial situation in the 1960s and 1970s; b) three explanatory streams commonly used to explain the different outcomes achieved by latecomer industrializers; and c) two ideational components, economic nationalism, and nation-building, arguably present in these developmental processes, particularly in the South Korean and Brazilian cases, but lacking in those three explanatory streams.

Among the Ideological background under which South Korea and Brazil took significant steps in the Cold War period towards overcoming a backward socio-economic and industrial position, outstands the DS model as an adequate conceptual "umbrella," argues this study. As such, it was used to accommodate all other theoretical, ideological, and operational elements identified in late development processes since it seemed the best cognitive channel to conduct the comparative analyses of the developmental trajectories taken by these two countries under similar authoritarian regimes in the 1960s and 1970s. The choice of the DS as an ideological referential was due to the extensive literature that deals with developmental processes in many Asian and Latin American countries and, in one way or the other, dialogues with DS assumptions. In the political-economic literature, theoretical models to support different development strategies proliferate. Despite being credible and consistent in their internal logic, many of them lack foundations in historical reality and, therefore, have difficulties in dialoguing with the real world. Models that emerge from the analysis of historical experiences, as DS, have more pragmatic foundations and, in a sense, approach historical phenomena with a particular reference to their causes, antecedents, conditions, and consequences.

As a starting point, the research sustains that in that period -as today- there was no single developmentalism from the theoretical point of view. So much so that one must talk about 'developmentalisms' instead. Without a sound theoretical background to anchor DS assumptions at the time, previous organized capitalism experiences served as a reference, and,

not surprisingly, the fundamentals of developmentalism implemented in each of these countries ended up being conceptually different and freely operationalized according to specific ideological backgrounds and social groups' interests.

3.1. Developmental-State Models and the building of a broader analytical approach

For Reinert (2007, 2010), developmentalism – or the idea of the 'DS' – is one of the most successful ideologies of the 20th century. The Cold War and the division of most ideas into political fields to the right and the left obfuscated that developmentalism was successfully implemented in various countries along the whole political axis, from fascism to social democracy to communism. Thus, according to his understanding, on the scope of industrial mass production as responsible for bringing economic growth and based on the assumption that only a particular type of national economic structure is conducive to increased wealth, Stalinism, Nazism, and the Scandinavian social democracies also could be called developmental-States.

Moreover, it can be argued that before the DS concept was proposed in the 1980s by Johnson⁴³ (1982) and came into general use, a somewhat similar approach had strategically encompassed a diverse order of political regimes and economic procedures, being operative four decades earlier in Brazil under Vargas, and a later under Kubitschek, and the military governments, and three decades earlier in South Korea under Rhee and PCH. Gradually then, it gained theoretical and methodological consistency and became accepted as an alternative type of development strategy that ought to be followed by late industrializing countries to rapidly reach better socio-economic and industrial standards (Bresser-Pereira, 2019; Chang, 1998; 2002; 2002b; 2008; Ormrod, 2003; Reinert, 2007, 2010).

However, whether as a strategy or a theory, its assumptions concerning State planning, intervention, and guidance over economic and financial issues were shattered by the growth and dominance of economic neoliberalism by the late 1970s, and developmentalism gradually disappeared from the economic spectrum as a viable developmental solution, except, and this

⁴³ Johnson (1982) formulated the concept of DS to explain the success of the Japanese development model, which was later used to interpret the South Korean case. In the same tradition, scholars such as Amsden (1989), Chang (2002, 2008), Wade (2004), Evans (1995), among others, proposed novel studies. In short, these authors interpret that between the 1960s and the beginning of the 1990s, the South Korean State assumed a leading role in the execution of a national development project understood within a priority industrialization strategy, conducted through specific coordination, strategic vision, institutional development, and competitive training in the international market.

is arguable, in Asian countries like South Korea, where it has been kept disguised as a soft neoliberal model.⁴⁴

Based on the assumption that the developmental-State processes implemented in South Korea and Brazil during the 1960s and 1970s were two samples of peripheral models, as seen before, this study argued and concluded that the outcomes observed in these two countries, after roughly two decades of intense DS policies, were consistent to their different ideational premises, goals, and policies implemented to achieve them. Therefore, one could not speak of a failed implementation of the DS approach in Brazil, but, indeed, that South Korea and Brazil represented two successful cases of similar DS models. As a representative of the peripheral independent developmental State model, South Korea can have its outcomes summarized as having the country caught up with its agreed and publicized socio-economic and industrial intentions, presenting a high level of national autonomy, high-tech industrialized production, and high-income status. On the other hand, as a representative of the peripheral national-dependent developmental State model, Brazil can have its outcomes summarized as the country also has caught up with its agreed socio-economic and industrial intentions, but not with all the publicized ones. At least not with those manifested in the presidential speeches concerning expected social achievements because, despite achieving the expected industrial goals, they kept the country trapped in a middle-tech industrialized production and middle-income status, with some loss of its national autonomy due to the installation of a debt crisis since the 1980s. As to the Brazilian case, all these facts put together and not yet been solved have made the country grow at a plodding pace from the 1980s onwards.

To reach this understanding, the study observed that although the liberal, endogenous, and exogenous streams offered analytical elements concerning successful East Asian DS processes vis-à-vis less successful DS ones in countries elsewhere, none of them solely seemed convincing since they overstated their own theoretical premises over plausible others. Therefore, this dissertation set out four working hypotheses that ended up forming the framework for the alternative answer proposed, and capable to unfold the alleged development puzzle concerning South Korea and Brazil: 1) a long-term socio-economic upgrading strategy matters if a government wants to build up a consistent development environment, and, therefore, the social element is determinant to qualify the type of process to be implemented

⁴⁴ Cf. Botelho, A.J. and Kasahara, I. Catching up and falling behind: An Appraisal of Brazilian Industrial Policy in the Twenty-First Century. *In* *European Review of Latin American and Caribbean Studies*, n. 101, April, pp. 97-109, 2016. As a remark, there is an ongoing debate about this issue in the literature, before and beyond Reinert. Look for neo-developmentalism.

and the political and institutional tools to be used, so that 2) the use and control of the political and institutional tools matter when coupled to the development process; however, they must reflect its democratic or autocratic profile accordingly to be effective; 3) yet, political and institutional tools at hand are not guaranteed of success in a market economy, given the importance of economic premises embodied in State-business relations and their implementation, so that State-business relationship matters; and, above all, 4) nationalism patterns applied to socio-economic projects conform economic nationalism patterns, and economic-nationalism matters. The joint and recursive action of these factors gave the study the necessary elements to propose a broader explanatory approach to the alleged puzzle.

Thus, the building up of a broader alternative approach has the theoretical possibility of not one but several DS models as a starting point. In this sense, and bringing consistency to this argument, Evans (1992) poses that DSs have presented themselves in various forms across time and space and have been working on different developmental paths. Moreover, and this is crucial for this study, he stresses that the DS must have outstanding bureaucratic and operational capacities and embeddedness if it intends to accomplish structural long-term, transformational outcomes.⁴⁵

Models of the DS have existed throughout history, depending on whether its development was original or latecomer, central or peripheral, first or second wave. Every industrial revolution has taken place within the framework of DSs. Still, it is clear that South Korea and Brazil, though occupying similar side-by-side spots as to their initial developmental pre-conditions with a clear advantage to Brazil in industrial infrastructure and economic strength, do not occupy side-by-side spots in the same quadrant as to the results of their industrialization processes, which turns the puzzle more intriguing as to the time gap between the Brazilian and South Korean national industrial revolution was of about twenty years, in favor of the former.

Assuming as correct the existence of several DS models, this research working definition of a DS understands that they may lie down in a broad range, operating in capitalist economies between the liberal State and the frontiers of statism, aiming to fast overcome a backward socio-economic position and industrialize the nation-State. Thus, state and market coordination are pragmatically combined to implement active macroeconomic policies under DS. However, regardless of the DS model or for how long it was implemented, the result of its actions is one

⁴⁵ Evans coined the term “embedded autonomy” for this bureaucratic and operational State capacities, meaning the way the public bureaucracy is enmeshed in society and in the business community to act autonomically based on accurate, updated information.

out of two possibilities: either it is oriented to materialize a project of a great nation or a project of a great country. The main difference between them lies in the means and ends. Whereas for the former, industrialization under capitalist parameters was seen as a means **to** achieve a great nation's project by the reduction of economic inequality and at the same time by the propelling of the economy to increasing technological upgrades; for the latter, industrialization was a goal in itself, in which, broadly speaking, backward dependent industrialization, macro policies, infrastructure, and resources remained locked in themselves, serving each other in a never-ending cycle, aiming at selectively attending some social groups.

South Korea and Brazil are two examples of what it implies in terms of means and end to build up a great nation or a great country, respectively. The following two chapters will present findings originated from those three primary explanatory streams and some others resulting from this study's analyses, based on the assumption that it has been necessary to broaden the analytical scope through incorporating ideological factors to it if one intended to understand these two different trajectories better, and once and for all, helping to demystify the alleged puzzle so frequently posed. Thus, much of the truth lies down in the Brazilian and South Korean different processes; it is true, but much more lies hidden in their ideological motivations. This is what is going to unfold soon.

3.2. Comparing East-Asian and Latin American development

For Lima (2017), there are three views to explain the successful development trajectory of the late industrialized economies of East Asia vis-à-vis their Latin American counterparts in the second half of the twentieth century: the liberal, or orthodox; the endogenous, or heterodox; and the exogenous, or geopolitical. They aim to explain how these late industrialized economies, at each one's own pace, under specific circumstances, and employing different strategies have either overcome or seem to be overcoming the middle-income trap, or remained locked in it, and either established a long-term technological upgrading strategy or remained attached to a backward dependent technological condition.

3.2.1. The liberal view

For those working in the liberal view, the success of the development trajectories of late industrialization countries in East Asia was confirmed, albeit not for the same reasons, everywhere (Castells, 1992; Medeiros, 1997), and indeed emerged from the joint adoption of strict liberal market principles and of the export-led model and from carrying out the necessary pro-free-market reforms, following the guidelines of private investment and openness to

international trade (Balassa, 1982; Westphal and Kim, 1982; The World Bank, 1987, 1993). Thus, the liberal view argues that the main lesson from the East-Asian newly industrialized countries is that free market, free trade, and an export-orientated development strategy have been the key to their economic success (Krueger, 1985; Balassa, 1988; Harberger, 1988).

For example, Balassa's (1982) analysis of semi-industrial economies focuses its attention on export-led and import substitution models, with the adoption of one or the other as the main reason to differentiate the trajectory of development of these Asian economies vis-à-vis their Latin American counterparts. This differentiation is due to the adoption of different policies that support each of these models. The export-oriented industrialization model (EOI) adopts policies to encourage international insertion, which is associated with a comprehensive opening process, while, on the other hand, the import-substitution industrialization (ISI) model has as its basic principle the protection of the domestic market, closing the economy to the international market and thus avoiding a competitive process. Further, it recognizes that, in general, East Asian countries adopted the ISI at some point during the 1960s, but that they subsequently implemented a process of transition from a development model towards the EOI while the Latin American economies remained linked to the ISI.

Balassa (1982) states that the transition begins with implementing a system of incentives to import and export within a free trade environment. In this sense, no barriers were imposed on imported products when the transition was implemented. This would have inaugurated a process of increasing competitiveness within these East-Asian economies⁴⁶. Subsequently, export subsidies and incentives policies were adopted as crucial parts of a development process via EOI, such as preferential credit and the reduction of direct taxes. The intention was to promote a broad process of structural transformation through the selection of leading large companies, as it was the case in Japan and South Korea, or small and medium firms, as in Taiwan, to build and develop a high-performance production structure, in technology-intensive sectors, sufficiently capable of competitive international insertion of their industries and countries within it. Westphal and Kim (1982), although focusing quite exclusively on the South Korean's issue of incentives policy during the catching-up process, similarly account for the same structuring and developing mechanisms aimed at EOI, drawing attention to the importance of the multiple exchange rate regime implanted to stabilize relative prices and increase competitiveness, initiating that liberalization policy to open the path to transition.

⁴⁶ Hong Kong and Singapore are exceptions because they established EOI as a model (Castells, 1992).

In the same liberal vein, The World Bank's (1987, 1993) studies attribute the economic growth and accumulation of physical and human capital of Asian economies (Japan, Hong Kong, South Korea, Singapore, Taiwan, Indonesia, Malaysia, and Thailand) to their economic liberal import-export policies, strategically built and implemented since the 1960s. These policies benefited both operations and resulted in the optimal allocation of production factors and the self-cancellation of interventionist stimuli, which The World Bank 1993 study recognized as existent⁴⁷. They also produced an incentive neutron structure, avoiding the distortion of relative market prices and the impartiality of State action. These free-market policies, say The World Bank's report, followed by East-Asian countries but not entirely by their Latin American developing counterparts promote the efficient allocation of factors of production, and overall process of accumulation of physical and human capital and technological catching-up, giving these countries the possibility of a much more competitive international insertion.

Putting in perspective the arguments of the liberal approach, Westphal, Kim, and Amsden (1984) raised an interesting question about the specific cases of South Korea and other East-Asian countries. They state that in different forms and rhythms, a process of relaxation of ISI policies started, selectively, from the mid-1960s onwards in these countries, which carries a paradox. They agree that softening the control of imports and reducing quotas and export licenses helped stimulate a new EOI model. They also agree that the replacement of ISI policies became necessary, particularly those concerned with industrial activities, to add value to products and promote technology-intensive sectors. However, they disagree with the presumed liberal influence as a determinant to establish performance targets and results linked to these actions, disregarding the incentives and disciplinary measures related to them. Thus, they call into question the liberalizing bias of this view and conclude that to structure these export-oriented policies as it was done, by changing the relative prices of the market by the account of its internal compensation mechanisms via a large sort of incentives, additional evidence must be gathered to support the claim that they fit the baseline liberal precepts and do not compromise the liberal logic. Which looks unlike to be accomplished.

In summary, and extrapolating the analyses to what conveys this research, the liberal interpretation of the striking economic success of East-Asian countries vis-à-vis the alleged or

⁴⁷ The 1987 study is categorical in stating that there was no deliberate state intervention policy materialized in ISI. The 1993 one makes this understanding more flexible but recognizes only limited action by the state in this sense, through market-friendly policies, since the perfect functioning of agents in the free market has been guaranteed, creating an environment of stability with high participation in international trade. And substantial economic growth, with substantial investment in people and the competitiveness of companies (Lima, 2017).

relative failure of their Latin American late-developing siblings was due to an almost irrelevant role played by the State or any other factor in the formers over their development trajectories, coupled with the maintenance of a structure of relative prices dictated by the market, the so-called 'getting-the-prices-right' concept. For this view, the ISI and its policies when applied out of the boundaries of this liberal precept, negatively distorted the relative prices by protecting the domestic market and discouraged international competition. Furthermore, even when an Asian country adopted EOI as a development strategy and incentive policies were implemented, this was done equitably, benefiting imports and exports, and, in the same way, inhibiting market imbalance making high productivity prevails.

3.2.2. The heterodox view

The liberal interpretation has generated debates concerning the reasons for some newly industrialized countries' economic success,⁴⁸ being challenged and shown to be flawed by several heterodox interpretations (Toye, 1987; Luedde-Neurath, 1988; Bielefeld, 1988; Gereffi, 1989; Wade, 1992; 2004; 2014; Amsden, 1994). In the end, these critics alternatively proposed that the success of East-Asian newly industrialized countries vis-à-vis Latin American ones resulted from the crucial role played by the State through its direct actions and specific selective protectionist policies (Wade, 1992; 2004; 2014; Gore, 1996).

Amsden (1989) and Chang (1994, 2004) and Kim (1997) converge on a set of reasons that would have led those countries to success or failure. Amsden (1989), focusing on the South Korean case, says that the liberal theory is mistaken to state that the country was strictly following market mechanisms and that other East-Asian economies had also followed them throughout their industrialization and late development trajectories to achieve successful outcomes. Amsden and Chang understand that those liberal mechanisms would not have been the main responsible for its advances primarily, but rather the role played by solid interventionist States with a focus on development. In the words of Kim, the reasons behind these successful cases lie in the actions taken by comprehensive⁴⁹ States towards clear and sound goals.

Three main factors are issued from the endogenous views: a) clear and sound goals; b) a variety of fiscal and financial mechanisms to support nascent industries; and c) the role assumed

⁴⁸ This study uses newly industrialized countries and late industrialized countries interchangeably, although there is a theoretical difference between these two terms.

⁴⁹ Comprehensive States are those with the necessary capacity to impose its agenda over other conflictive social actors' interests.

by the State to distort relative prices, thus encouraging business groups to diversify across the sectors of the economy (also known as 'getting-the-prices-wrong' claim), which results in expanding productivity, and making the country more competitive, irrespectively of the fragility of its external balance accounts (Amsden, 1989; Wade, 1992; 2004; 2014; Kim, 1997).

Kalecki (1966 [1993]) had long warned of this liberal misconception since he understood it was not market mechanisms the main determinants that could foster development but domestic institutions, the State, and historical social and political features. For him, as wrong as to take these liberal misconceptions as a valid development constituent element is to take the international environment as a valid one.

Amsden (1989) supports Kaleckian thought and stresses the need, alongside market mechanisms, to consider history, conjuncture, and social and productive structures to understand the development trajectories of countries to arrive at a correct evaluation of results. Therefore, according to Amsden (1989), when analyzing late industrialization processes and development, one should not start from universal theoretical assumptions to interpret the different results achieved by East-Asian countries vis-à-vis Latin American ones, without first scrutinizing other dimensions of their historical conformation.

Amsden's (1989) theoretical heterodox proposition argues that to evaluate the results, mainly related to the South Korea case, it is necessary first to consider two other aspects: In the first place, the policy of State intervention through incentives and subsidies for the promotion and diversification of local business groups, as part of multi-annual development plans, with an increasing focus on more technology-intensive sectors, creating competitive advantages for these companies that would be reflected in a broad national context. She understands that in doing so and linking them to national interests, the State could legitimize itself before the population, which would perceive the process, not as corruptive or subversive to market mechanisms but as necessary actions.⁵⁰

Secondly, it is opportunistic to adjust the development process to a developmental macroeconomic policy that puts economic stability goals in the background. At this point,

⁵⁰ Nowadays, the very idea of austerity as a macroeconomic foundation has come under criticism, calling into question its classic liberal defenders such as Locke (2006), Hume (2009), Smith (2009), Ricardo (1982) and Mill (1983), and neo-liberals like Hayek (2010), Schumpeter (1934), Von Mises (1990), Giavazzi and Pagano (1990) and Alberto Alesina (1990). According to Blyth (2017), austerity policies serve more as ideological dogma with little adherence to reality, favoring specific interest groups. Although it makes intuitive sense, it is dangerous from a social and economic point of view. Blyth comes to this conclusion when analyzing the impacts of the 2008 economic crisis considering the intricacies of banking and financial events that resulted in a global recession, questioning the economic mainstream as to the maxim that austerity policies in general can, in fact, universally lead to economic growth.

Amsden's (1989) heterodox perspective converges with the Cepaline conception: the problem of inflation in Latin American countries would be, at the root, a symptom of structural mismatch to be solved through a comprehensive industrialization process. Amsden and other authors who share this endogenous view question the liberal focus on microeconomic policies to restrain industrial activities from performing necessary adjustments, mainly by targetting inflation through fiscal and making consumption sacrifices. This is so, she says, because they restrain the resources available for investment and credit, compromising the industry's growth or implementing an industrial policy.

For Amsden (1989), the idea that austerity would have generated balance and economic growth in these Asian countries does not match reality. Although there were times when those governments adopted austerity measures to reduce the fiscal deficit, a predominant state-interventionist logic prevails in these countries, stimulating the industry with subsidies, incentives, and protectionist tariff and non-tariff measures, especially when compared to other countries in Latin America.

Following this path, Amsden (1989) also questions the liberal idea that economic growth is inexorably associated with expanding productivity and that economic success is its function. Thus, she points out that the market is not a fair place but an unfair economy of large oligopolies in which perfect competition among economic actors is a counterfactual idea. Therefore, the liberal view would be mistaken since the returns to scale are not constant for all economic authors in dispute for markets. Access to the technology that makes it grow faster is not for public access and requires high investments. This liberal mistaken preconceived assumption that there are no market barriers leads to the false idea that these aspects do not end up hierarchically differentiating companies and countries in an international hierarchy.

East-Asian economies have each formulated their strategies to achieve productivity growth through State incentives, disciplining, and support for technological development. The tactics of incentives and disciplining vary along with an extensive menu and from country to country, ranging from subsidized credits, licenses, bailing outs, abandonment, and even company extermination in cases. Companies were induced to subcontract vocational training in which foreign multinational corporations played a significant business role alongside the State to cope with the needs. Technological development also varies from legal technology transference to the importation of foreign technology through joint-ventures and

subcontracting to illegal reverse engineering to minimize production costs based on a learning-by-doing approach⁵¹ (Amsden, 1989; Castells, 1992; Chang, 1998; 2002; 2002b).

Chang (2002, 2002b) states that there is a great deal of empirical evidence of State leadership in the development process of East-Asian economies, expressed in the macroeconomic policies of incentives and benefits to economic growth, operating as crucial variables for the structural transformation observed in these countries in the second half of the twentieth century. Besides, regardless of learning-by-doing setbacks, these developmental processes were carefully considered before being implemented as to an essential pragmatic point: it was not for exports to drive investments at the first moment, but the opposite of that, with exports at an increasing pace and increasing technological complexity, is the result of investments made, mainly provided by the US and other countries' financial support.⁵²

In short, in the endogenous view, there was an intimate and intense articulation between the State and the private sector in these East-Asian economies based on long-term development strategies, where external financing played a significant role at the first moment. However, according to Chang (1998, 2002, 2002b), regardless of the unquestionable positive impact of this external financial support in the decades following the end of WWII, the role of the State was decisive when it, in due time, formulated and implemented a fruitful State-business relationship, based on well-defined EOI industrial policies, which, like any sectoral policy, necessarily implies selectivity, resulting, for instance, in the strengthening of the Keiretsu in Japan, the chaebols in South Korea,⁵³ and the small and medium firms in Taiwan (Kim, 1991a, 1991b; Amsden, 1989; Wade, 1992; 2004; 2014).

These economies' structural transformation and technological upgrade result from this strategy and tactics. Thus, the process is more complex than simply considering that an ISI or an EOI model was established and followed because, in the developmental East Asian processes, these two models were combined (Amsden, 1989; Chang, 2002, 2002b; Wade, 2004).

⁵¹ Lima (2017) states that the import of technology as a technological learning mechanism requires time for the costly learning curve to present a substantial return, with no guarantee of success and that the private sector counterforces the risks and uncertainties of the enterprise necessarily requires the support of the state to carry out this type of investment, given that market mechanisms are unable to offer these compensations in a late development process.

⁵² Interestingly, and, different from the Brazilian way of doing things, argues this study, these macroeconomic policies in South Korea were not losing actions proposed at the last minute, but an integrated set of initiatives present in multi-annual development plans or the sort.

⁵³ Chaebols refer to large business conglomerates controlled by several Korean families. The government devoted significant amounts of money and resources to subsidizing these private enterprises to achieve higher levels of exports and market shares (Lai, 2018).

In South Korea, for instance, industrial policy achieved a noticeably higher status in its priority, setting over any other social, political, economic, or even business demand. In the allocation of incentives to essential industries, such stimuli as preferential credit, subsidies, renegotiation of loans during periods of recession, and the availability of new financing for these sectors took precedence over any other immediate need (Chang, 1998; 2002; 2002b; Kim, 1991a, 1991b; Amsden, 1989; Wade, 1992; 2004; 2014, Lima, 2017).

Similarly, Lima (2017) suggests that the East-Asian development strategy cannot be made into a false dichotomy between ISI or EOI, not least because what happened in these countries, and particularly in South Korea, was an endogenous nation-building development project than merely the result of an economic growth agenda per se. This nation-building project argument seems to converge with Furtado's (1974) normative ideas that differentiate development from growth.⁵⁴ With the broader understanding that economic growth will best translate into development only if it implies self-determination of the various groups of interest on the matrix of the national economic growth's agenda to increase the well-being of the society, alongside with the greatest possible political and budgetary independence from international directive pressures.

⁵⁴ Although some authors used economic development and growth interchangeably, they are different concepts from others. Bresser-Pereira (<http://www.bresserpereira.org.br/Papers/2007/07.22.CrescimentoDesenvolvimento.Junho19.2008.pdf>), a supporter of the first group, sums up the question, saying that given the fact that economic development implies structural, cultural, and institutional changes, there is a long tradition that rejects the identification of economic development with growth in per capita income or simply economic growth. Besides, he says, if one defines economic growth as a simple increase in per capita income, the two terms are not confused because there are cases in which the average production per inhabitant increases, but even overall, there is no general increase in wages and consumption patterns in the society. Schumpeter (1911/1934) was the first economist to point out this fact when he affirmed that economic development implies structural transformations of the economic system than the simple growth of per capita income, which does not guarantee, per se, any other further social transformation. For many non-orthodox economists, identifying economic development with growth would be ideological since it would hide that economic development implies better income distribution while growth does not. Amartya Sen (1988, 1993, 1999), whose name is linked to the formulation of the Human Development Index, is the most radical in this matter. For him, economic development implies expanding human capacities or increasing freedom. Furtado (1961, 1967, 1974, 2000), in turn, affirms that economic growth, as we know it, has been based on the preservation of privileges of the elites that satisfy their desire for modernization, whether development is characterized by an underlying social project. In this case, economic development would imply distribution. It is impossible not to be sympathetic to these latter propositions. They assume that the increase in average living standards, which always occurs with increased productivity or economic development, must be accompanied by the achievement of other political objectives: either by social development or a less unequal income distribution; political development or more political freedom, more democracy, and sustainable development or more effective protection of the natural environment.

Thus, endogenous explanations understand that achieving good outcomes in East-Asian countries was not a question of simply establishing an EOI development model and following the market rules by the book. Rather, it was much more than that: the materialization of a clear strategic conception of national development, pragmatically designed and implemented in the shortest possible time.

Chang (1998, 2002, 2002b), however, calls attention to another relevant aspect of the issue, when he states that one cannot talk about developing countries without mentioning the weight of external accounts to make ends meet. Since, regardless of the State's will on fostering an industrialization agenda, external accounts were most of the time on the way. He is aware of the difficulties faced by these late industrializing countries in terms of their restrictions on external accounts to make their national development projects viable through industrialization and affirms that overcoming current transactions was a sine qua non condition for the success of any national developmental enterprise that should be achieved in some way.

At last, besides all these determinants, one cannot disregard the productivity aspect of any industrialization process since there is no escape from the confrontation of the interlink between growth and productivity that arises at some point as a barrier or opportunity. In this regard, for heterodox authors like Chang (1998, 2002, 2002b), leading with late developmental processes, the role of the State, bypassing risk, and uncertainties, proved fundamental in East Asian countries, as crucial was its role in promoting technological learning about the import and transfer of foreign technology (Amsden, 1989).

3.2.3. The exogenous view

Authors in the exogenous explanatory stream like Cho (2001) and Medeiros (1997) propose differently. They defend the idea that the success of these East-Asian economies resulted from a favorable external geopolitical environment, which created the necessary conditions for these countries to promote high growth and the structural transformation of their economies. For Medeiros, the main factors are directly related to the geopolitical strategies of the United States after WWII, due to the expansion of its political and economic interests in the East-Asian region to confront communism. According to these authors, Latin America posed a minor threat and thus received less attention and funding. The expansion of investments by the United States and Japan from the 1960s onwards in the Asian region, with the United States, placing itself as a recipient market for these countries' manufactured goods and, later, Japan as one of the main responsible for them to obtain technology transfer via capital imports, would show that the international scenario was far more beneficial to those Asian countries than to

their Latin American counterparts, both from a commercial and investment perspective, as well related concessions associated with endogenously created and exogenously transferred technology.

Following this lead, Lima (2017), an endogenous-view author, is doubtful and asks whether economies in Latin America would have benefited from this favorable external scenario without reaching the outcomes obtained by those East Asian countries. He argues that, regardless of the favorable comparative financial support made available to the East-Asian region vis-à-vis this similar supportive flow towards Latin America, the answer is not found in the amount of the flow neither in the Cold War geopolitical environment itself, but in the tactics employed by the governments of those East-Asian countries to capitalize on that geopolitical tension in the medium and long run. In this matter, Latin American strategists, for whatever reasons, soundly failed.

On the other hand, Medeiros (1997) contradicts Lima (2017) by disqualifying the strategy and tactics undertaken by these Asian governments as being the causes of all future outcomes and argues that the main factors behind the differential performance of the East-Asian countries when compared to the results achieved by their Latin American counterparts during the 1960s and 1970s, onwards till the 1980s, were extensive external financing, through foreign direct investment and foreign loans, coming from the United States and other OECD countries, with Japan serving as a transferee of technologies. Besides, in the years ahead of the consolidation of this regional technological environment, while Latin America faced in the 1980s a solid external credit restriction due to the increase in interest rates and the decrease in foreign investments after the second oil crisis, East-Asian countries did not face a similar problem and could complete the technological cycle. Thus, it is a mistake to think that the two decades of light and heavy industrialization paved the way for these Asian countries to overcome their social and economic gaps. Regardless of the importance of what was accomplished by the State's role or the market mechanisms in the 1960s and 1970s, the gaps were closed in the 1980s by the continuous external financing. As to Latin American countries, the contraction in credit availability in the international market in the 1980s affected the development trajectory of these countries of late industrialization and, thus, their insertion or exclusion in the international market of added value products.

Having presented these two points of view, whether one takes up Lima's (2017) endogenous view or Medeiros' (1997) exogenous one, both arguments are essential and remain sound and, therefore, are embraced in the dissertation's broad analytical

perspective. Undoubtedly the 1980s opened the gates to a new technological path, with microprocessors and computerized systems. In this sense, East Asian countries' logic of investment and innovation policies followed the changes and structurally adapted their industry. Medeiros' (1997) main argument, based on how critical external financing was for the establishment of this East Asian pathway, strengthens the idea that the United States and Japan decisively pushed these countries towards the technological edge, or, in the case of South Korea, even towards breaking through technological barriers into a new informational world by providing it with the necessary financial resources to avoid the collapse of external accounts, making it jump into a technological market with better terms of trade. This, however, deserves to be checked since it seems doubtful that the American and the Japanese financial support had this later unfold as one of the objectives when they were proposed.

Furthermore, Medeiros (1997) adds that irrespective of the internal and external context that allowed it to happen in South Korea, the macroeconomic policies implemented in all East Asian countries focused on economic growth at any risk, even in unfavorable external scenarios, such as in the 1970s, with the oil crises and rising interest rates in the United States, and that this only could be possible due to easy flow of credits. Thus, subsidized by substantial external indebtedness, the policies implemented maintained an expansionary economic flow throughout the region. It was done mainly by measures to stimulate exports through currency devaluation and fiscal incentives, credit expansion, besides controlled interest rates to stimulate investments. Such policies also inhibited rentier dynamics, maintained subsidy policies for sectors considered strategic, and rescued companies in difficulty. Vastly different from what happened in Latin America, particularly in Brazil in the same period.

Lima (2017) and Cho (2001) agree on highlighting the role of Japan in the consolidation of this new regional dynamic. Not just because of the technology embedded in its products and shared regionally through the opening of plant branches and the formation of joint ventures, but also because of the contribution of financial resources in the form of preferential directed loans with and subsidized interest rates. These measures strengthened the markets of the region and stimulated ISI and EOI policies later, facilitating the establishment of productive structure of those countries under its sphere of influence and preventing them from being linked to a rentier logic.

Both authors state that this embryo, generated from the mid-1960s and accelerated growth in the 1980s, meant that, nowadays, about 69% of commercial transactions in Asia are carried out regionally, showing China as a new Japan. Therefore, by having China playing the

new protagonist's role, aligned with the differences in the commercial, political, and diplomatic treatment offered by the United States towards its immediate Latin American sphere of influence, such conjugated aspects serve to stretch the differences between these two regions even further (Lima, 2017; Cho, 2001).

Along this line, Medeiros (1997) and Cho (2001) argue that the resumption of commercial and diplomatic relations by many of those Asian countries with Japan, countries which, in one way or another, had been under the yoke of Japan's political and economic power, was fundamental, if not essential, to subsequent positive developments. Therefore, due to American money and Japanese agency, Japan rose as a significant commercial and economic power from the 1950s onwards at the invitation of the United States. Thus, while innovating and resuming its diplomatic relations with several countries in the region, Japan contributed to the success of many other East-Asian countries in overcoming their structural problems.

Cho (2001) further raises a crucial geopolitical point about the Vietnam War, particularly concerning South Korea's nationalist open road trajectory, to which this study entirely agrees. He states that the Vietnam war must be added as a defining element to this developmental puzzle not only because it strengthened the region's strategic profile for the United States but also because it gave extra room for the South Korean government to implement extreme nationalist economic policies, even against the American will.

On evaluating these different aspects tackled by these three explanatory streams identifies, key contributions come out from them. For example, from the liberal perspective, it outstands the importance of the transition from an ISI to an EOI model since EOI provides the necessary technological leap to access better international terms of trade. However, it also outstands its limitations, particularly the contested assertion that "getting the prices right" was a determining factor in the success of those Asian development trajectories since facts proved otherwise, as pointed out by the endogenous perspective. This is so, say, endogenous authors because those countries that "got the prices wrong" had much greater success in their developmental trajectories, which puts the liberal principles in check as trade affects the allocation of resources and the international differentials of growth and income. The endogenous stream's argument against it is that due to a permanent hierarchy in international trade and the logic of distortion of relative prices between countries' economies, caused by the differential of technologies applied to production, productive structures of scale, and innovation capacity, to keep the economy under strict market rules does not induce adequate development. Finally, the exogenous approach brings unquestionable elements to solve the

alleged puzzle, such as the geopolitical situation and the financial and technical resources of Western foreign countries after WWII. They served to keep the East-Asian region under capitalist orientation, without which neither those desired liberal principles of undistorted prices could have made a difference. In this sense, without it, even if the policy of "getting-the-prices-wrong," effectively put in motion in South Korea under PCH's regime, would stand a chance to be effective under such a degraded post-WWII situation in East-Asia.

Moreover, one ought to level criticism regarding their analytical limitations independently of their contributions. Despite the importance of EOI as a developmental driver, it alone is not capable of satisfactory explaining the successful outcomes as pointed out by the liberal stream since, theoretically, for the explanation to be comprehensive, it had to be linked with the "getting-prices-right" policy. The criticism, in this case, rests on the fact that no matter the Asian successes or alleged Latin American failures, what took place in these regions, for, was just the opposite. The endogenous stream also has flaws, resorting excessively to nationalist appeal and the State's role, minimizing the geopolitical scenario (Gore, 1996). As for the exogenous stream, beyond its merit to reflect on the importance of the international scenario, it disregards, or at least excessively minimizes, the internal dynamics of these latecomers and exaggerates the external role, undoubtedly compromising its solution to the puzzle.

3.3. The missing ideational thread

As seen, the abovementioned aspects are expressions of three explanatory perspectives: liberal, endogenous, and exogenous. However, after combining their elements within a more comprehensive explanation, the study realized that something was still lacking. Something that genuinely could offer a more robust solution to a situation that has been treated by the literature as a puzzle: late development East Asian success vs. Latin American failure. Among the several cases, the contrasting outcomes observed in South Korea and Brazil after two decades of developmental militarism and a starting point so much favored to Brazil required additional analyses and probably new analytical elements. The study identified that an intangible ideational characteristic of politics was missing and should be inserted into the analyses if intended to see the whole picture deeply. To do so, the study brought into action the economic nationalism interpretative approach, believing it could provide such missing analytic glue and valuable insights that, coupled with selective elements of the three previous views, could contribute to constructing a broader and more robust explanatory approach of the South Korean-Brazilian developmental puzzle. Economic nationalism and its sister concept of nation-

building were chosen as the missing thread that seamlessly and pragmatically intertwines with the other elements to solve the issue.

3.3.1. Economic Nationalism

Helleirner (2002) remarks that economic nationalism more than an idea or a strategy is, in fact, an ideology and that the main problem with traditional definitions given to this term is that they have neglected its nationalist content, focusing instead on its economic aspects, thus pigeonholing it in the endogenous-like perspective. For Helleiner, nationalism seen as an ideology allows the economic nationalism concept to be broadened and associated with a wide range of policy projects, including endorsements of liberal policies. He follows in List's footsteps to see economic nationalism, not in policy terms but in terms of the nationalist theoretical content of its ideas.

Conventional neo-liberal wisdom holds that economic nationalism is an outdated ideology in this age of globalization and economic liberalization. Interestingly, however, this assertion usually assumes that the ideology of economic nationalism, even though neoliberal governments do not endorse it, is said to have a coherent non-liberal policy program by them. Coherent but non-valid, what makes it a paradox that the liberal stream does not incorporate in its analyses. So much so that a closer look at the so-called neoliberal economic dynamics shows the number of protectionist policies in action on the right side of the political spectrum today (Helleirner, 2002).

For Helleiner (2002), although economic nationalism remains a potent ideology, it does not necessarily challenge the policy goals of economic liberals and endogenous enthusiasts of any magnitude since it does not confuse itself with a specific political orientation to the right or the left. While strands may state it challenges the right-wing liberal market economy, others say it lacks left-wing consistency. Both statements are factual since economic nationalism has an ambiguous profile that can be misused as an ideological tool valid for both cases. Thus, its use is powerful and not restricted to any State format, whether right, left, or developmental.

Thus, the DS approach is said to have taken advantage of it, and, historically, authors say it did and adopted it in the analysis of the experience lived in some countries. Restricting the samples to two with-in cases, this study argues that during the 1960s and 1970s specific DS premises and actions built great nations while others great countries, meaning that some DS experiences, by misconception or side-interests, misapplied it or confounded its fundamentals with methodological nationalism. Thus, regardless of building strong economies, selectively distributed the results of such growth. South Korea is an example of great nation-building. Brazil

of a great country-building. Brazilian military governments paved the way for building a great country and not a great nation since inclusive policies were scarcely implemented during its twenty-one years of dictatorship. Besides, infant-industrialization based on import substitution and economic diversification did not adhere to national-centered development planning consistent long-term technological upgrading. Quite the opposite occurred in South Korea. However, no matter if building a nation or a country using economic nationalism in one way or the other, one thing is for sure: in any economic nationalism, nationalism matters.

In line with Mellahi, Frynas, Sun, & Siegel (2016) and Sun, Mellahi, & Thun's (2010) arguments, this study considers nationalism as a critical element that powerfully impacts the economic, social, and political environment of a country, whereas in a self-centered-nation-building path or self-centered country-building one, particularly in respect to the relationship between business and interventionist States. Eatwell & Goodwin (2018) say that economic nationalism is a two-part ideology. Its substantive part, nationalism, consists of two related factors: 1) a strong self-identification with an often idealized and homogenous national society and culture, and 2) a belief in the superiority of that society and culture over others. Although the latter is morally questionable, it is undeniable, as Greenfiel (2012) states, that the advent of a common language, shared behavioral norms and beliefs, and a distinct cultural heritage all contribute to the formation and strengthening of national identity and that a country-level institution is central to development and maintenance of nationalist sentiment.

Beissinger (2002) goes further and states that nationalist sentiment often serves as an impetus for the formation, maintenance, and even dismantling of socio-cultural, economic, and political institutions, by creating distinct and unique challenges and opportunities for institutions, the State, and organizations, to sediment or perform changes. Nationalism, institutions, and organizations are intertwined. Consequently, State-business relations in a developmental market economy shall carry a nationalist motivation and support to succeed. This sort of motivation and support depends, however, on the economic nationalism it sets in motion, whether it aims at building a great nation or a great country.

Therefore, considering its potential linkages with institutions, nationalism and economic nationalism cannot be treated as exogenous analytic elements, say Zhang and He (2014). Following the same path, Jackson and Deeg (2008) state where and how institutions arise cannot ignore nationalism as a cause (or effect). Kobrin (2017), for its turn, finds it relevant to pursue, in any analysis involving development, how institutions mediate the effect of nationalism on businesses, regardless of what it configures as a difficult task. In this line, Butzbach et al. (2020)

argue that political institutionalists have recently started investigating the link between nationalist tendencies and business activity across different institutional settings, but much remains to be done regarding the complex inter-relationship between nationalism, institutions, and organizations. Therefore, as Gehman, Lounsbury, and Greenwood (2016) pointed out, a discussion of nationalism is empirically and theoretically significant for institutionalists. It offers a clear example of how and when institutions matter, their profound implications, and how they can be related to nationalism and business behavior.

The study of implications of economic nationalism on State-business relationships, particularly in late industrialized countries and even more so on those that industrialized under a State-developmental model, is an important research goal. Nationalist rhetoric implies more outstanding home country support and favoritism for some firms. For others, it creates opportunities abroad. A basic assumption adopted here is that national institutions play a constitutive role in nationalism and mediate its extent and impact on companies and, therefore, on the whole economy (Butzbach et al., 2020).

Economic nationalism⁵⁵ sets out as a national ideological purpose of its development. However, what is the definition of economic nationalism? Are there one or many types of economic capitalism? List's approach to defining economic nationalism when building up his anti-liberal arguments on development begins with the ideas of nation and nationality:

Between each individual and entire humanity, however, stands THE NATION" (List, 1904:141 apud Hellener, 2002) "I would indicate, as the distinguishing characteristic of my system, NATIONALITY. On the nature of nationality, as the intermediate interest between those of individualism and entire humanity, my whole structure is based (List, 1904: XLIII apud Hellener, 2002).

Helleiner (2019) points out that at the core of List's economic nationalism was an ontological point: the world was divided into nations, each of which had specific national

⁵⁵ A good conceptual and theoretical discussion on economic nationalism can be found in Baughn and Yaprak (1996:759-78); Crane (1998:55-75); Dent (2000:275-302); Pickel (2003:105-27); and Hall (2004:79-99). We follow Crane in this study, arguing that economic nationalism is more than a policy toolkit including trade protectionism, a strong-state intervention, and mercantilism measures. It is not so much about the economy or policy option as it is about national discourse and political identity formation (Crane, 1999). Dent's interpretation of the term, for instance, sees the matter from distinct perspective. For him, "economic nationalism" is the "proclivity of the state, firms, and individuals for economic actions, decisions or alliance-formation that seek to advance the nation's international position at the potential expense of foreign national or international interests" (Dent 2000:282). As to Cho Younghans, Korean economic nationalism underscores "national growth and modernization, processes in which the nation-state plays a significant role in allocating economic elements to maximize their efficiency; it particularly highlights the increasing amounts of export/trade and the progress of industrialization" (Cho, 2008:85).

interests defined not just in materialist terms but also in terms of power and the expression of national culture and identities. Although individuals had their private economic interests, more critical from List's (1846/ 1999) standpoint was their shared interests as members of the same nation. Thus, when private and national interests did not coincide, the latter should prevail.

However, one shall not conclude that List stated that nineteenth-century economic liberals had ignored the nation. Neither assumes that Helleiner's statements indicate that so did contemporary authors. Quite the opposite. For liberals, recognizing the existence of the individuals above the nations implies that the economy should be primarily designed to serve not nationalist goals but individual ones and that this should be done through liberal market economic policies. In this sense, individuals, firms, and even countries should pursue national interest grounds based on their comparative and competitive advantages, vis-à-vis their capacities to reach their goals (Hayes, 1931; Hobsbawm, 1992; Helleiner, 2002). Liberals, argues Helleiner (2002), saw individuals as mere producers and consumers, not as citizens of States or members of nations. A mistaken view, therefore, since history has proved otherwise, demonstrating how powerful a national sentiment can be.

Therefore, List's original definition of economic nationalism is quite different from the definitions of the twentieth century by liberal economists and policymakers, who narrowly defined economic nationalism in terms of its specific non-liberal policy recommendations. This study, therefore, does not adopt this neoliberal path and sticks as close as possible to List's main ideas and authors that followed his lead, keeping the focus on nationalism and national identities.

3.3.2. Economic nationalism, nation, nation-state, and national identities: an intricately net

In this path, suffice to say that List adopted an approach to defining economic nationalism much later recovered by scholars such as Abdelal (2001), Shulman (2000), and Crane (1998). These authors, however, acknowledge the importance of List's general ideas but are more inclined to emphasize national identities' constructed and contested nature.

Crane (1998), for example, states that economic nationalism has to do with the nation and not the State itself. In other words, whether a nation may overlap economic nationalism in several ways, national identity cannot be seen as simply being an expression of State interest. Similarly, Abdelal (2001) emphasizes that economic nationalism should describe a perspective more concerned with the influence of national identities and nationalism on economic policy and not on the State as an actor with interests distinct from society. Moreover, Shulman (2000)

argues that it is wrong to equate economic nationalism with statist ideologies, such as mercantilism since statist ideologies are quite different from those liberal and non-liberal nationalist ideas that emerged in the nineteenth century.

Thus, contributing to this reinforcing movement of bringing the nation back in, Abdelal (2001) argues that economic nationalism is extricated from the exclusive influences of the State, allowing it to be reconfigured in non-liberal or statist parameters, so turning into a set of policies resulting from a shared national identity or a predominant characteristic in the politics of a State. Similarly, Crane (1999) suggests that economic nationalism should be seen not as a facet of the market or the State but as a facet of national identity.

Attempting to overcome the vagueness of these tentative definitions and the confused history of the term, Schulman (2000) claims that two things are for sure if one aims to understand what economic nationalism is and to evaluate its potential: 1) the need to focus on the economic ideas of those inspired by nationalism; 2) the role of national identities. For Schulman, instead of identifying nationalists as those who support a particular economic policy, nationalists would be those who examine their policy preferences, both theoretically and empirically, in the realm of a good international economic integration.

From the above, this research narrows those valid contributions and focuses on the critical core problem identified by List: How do national identities and nationalism influence economic policy and processes, and how do they shape the economic environment? From the above, this research narrows those valid contributions and focuses on the critical core problem identified by List: How do national identities and nationalism influence economic policy and processes? Economic nationalism, therefore, is not predominantly about the economy as it is also about the nation, which led the study to face the problem of the concept of nation, a distraught one. Furthermore, as said C. K. Ogden, the great semanticist, "words are convenient noises," by remarking that no more than one thousand of them have any precise meaning (Heilperin, 1960). Such undefinition seems to be the case of nation.

Throughout the twentieth century, the "national question" was approached conceptually differently, but it still considered the nation a concrete phenomenon, the basis of the nation-State. At the end of the 1970s, the theme would be transformed by authors such as Anderson, Gellner, and Hobsbawm. The idea of nation rests differently in their minds. For Gellner (1983; 1997), a nation is a congruent unit where a single culture makes a nation emerge from a shared national feeling. In this sense, the nation is a mobile, atomized, and egalitarian society, with a standardized and literate culture and whose maintenance, dissemination, and borders are

protected by a State. Put it succinctly: one culture, one State. Such homogenization should occur from a culture considered dominant and superior, made possible from and due to the literacy and education of the community. National identities would then result from these communication technologies, ensuring the rapid and homogeneous dissemination of information.

Gellner's (1983; 1997) understanding of the idea of nation frontally opposes the prevailing thought of the nineteenth century, with roots in Napoleonic expansion, which considered the coexistence of nations in the same State as positive. For him, the idea of nation as a fundamental principle of nationalism requires that political unity and cultural unity be congruent. In 'Nations and Nationalism' (1983) the author defines that, ideally, a nation should encompass all members of a given culture within a political unit. Likewise, by deduction, everyone from the same culture must be within the same political unit.

For Gellner (1997), agrarian societies prevent the idea of nation from manifesting since they preach inequality in values that end up instigating cultural differentiation, cultivating hierarchical maintenance both internalized, where each group knows its position, as externalized, so that society, in general, knows the social, politic, and economic function of each class. This differentiation translates into a State-owned society, where society determines its proper place for individuals. In this way, the more evident their position in society, the more defined the person and the community's duties and rights. Therefore, the role of culture in this type of society is to legitimize the hierarchical status of the current social order.

In short, for Gellner (1983; 1997), in an agrarian society, culture separates rather than unifies. The role of culture in this type of society is to legitimize the hierarchical status of the current social order. Thus, the idea of nation as a unity can only occur in an advanced industrial society within a modern State. There can be no nation with the non-existence of nationalism, meaning with a non-unify sentiment of the whole. That is why in an agrarian society, there is none. Gellner thus sees that it is only possible to speak of nation as an entity after the industrial revolution and in an advanced industrial society. Thus, unlike the agricultural society, the industrial society has as its economic base the conscious and continuous search for innovation, aiming at the exponential growth of productive resources and production. Consequently, economic growth shall be understood as the driving force underlying the national development process. Moreover, Gellner (1983, 1997) analyzes nationalism from a historical perspective and sees modernity and nationalism as crucial functional elements tied to the popularization of

education. Thus, for him, nation and nationalism are sociological conditions resulting from the transition from agrarian to industrial society, requiring education.

Next, for Anderson (1991), the nation is an imagined limited community. Limited because even the largest of them has finite boundaries, beyond which lie other nations. It is sovereign because the concept was born in an age in which Enlightenment and Revolution destroyed the legitimacy of the divinely ordained, hierarchical dynastic realm. Finally, it is a community because the nation is always conceived as a deep, horizontal comradeship regardless of the inequality and exploitation. Over the past two centuries, this fraternity made it possible not so much to kill as willingly to die for such limited imaginings. Nationalism, he argues, as an expression of these national unification sentiments, is the story of national origins that creates an imagined community amongst the citizens of the modern national State.

Finally, Hobsbawm (2011), in "Nations and nationalism since 1780: program, myth, and reality", discusses the objective possibility of characterizing a nation. Thus, regardless of the criteria, features such as language, ethnicity, familiar territory, and culture are often apparent. He argues, however, that these criteria are ambiguous, changeable, and opaque and serve nothing more than propagandistic and pragmatic purposes. As a solution to the problems of the other two previous definitions, the author points out another one, this time subjective. A nation would thus be a sufficiently large body of people where its members consider themselves part of a nation. Thus, what is needed to create a nation is simply the shared will of some individuals to be one.

Following Anderson (1991), Hobsbawm (2011) focuses the debate on the national question from 1880 onwards and proposes that there were more recently some significant changes concerning the nationalism of the previous liberal era, like 1- the abandonment of the critical point, which argued that a nation would have to be large enough to form a viable unit of development, and so, it is accepted now that any group of people who considered themselves a nation could self-determine being one, meaning the right to a sovereign independent State set apart for its territory; 2- the ethnolinguistic criterion becomes a central requirement for the potential existence of a nation.

The heyday of nationalism takes place, according to Hobsbawm (2011), at the end of WWI. The author explains the triumph of the principle of nationality from the collapse of the great multinational empires of central and eastern Europe and the Russian Revolution. The episodes redefined the European map, transforming the continent into a territory with defined States. The Treaty of Versailles brought a standard of Wilsonian Nation-States, which requires a

coincidence between the State's territorial borders and nationality and language. The model would not work, according to Hobsbawm. In contrast, States that rise from the ruins of ancient empires were inevitably multinationals since the only way to obtain a State along the Wilsonian lines would be the massive expulsion of minority populations or even their extermination – which makes the ideal extremely dangerous in human terms. The homogeneous territorial nation is seen as possible only by barbarians or even barbarian means.

Hobsbawm (2011) reaffirms Gellner's idea by taking as genuine the need for congruence between political and national unity for nationalism to exist. Like Gellner (1983, 1997), he also believes that the nation arises from nationalism, not the other way around, in a way in which nations are based on a familiar national feeling. Though agreeing with Gellner's argument that nations are bottom-up constructs, he differs by stating that they represent ordinary people's thoughts.

Hobsbawm (2011) then concludes that both the objective and subjective definitions of a nation would be insufficient for a group of people to self-determine. The objective explanation, which uses simple criteria for characterization, does not match the variety of nations in the real world. On the other hand, the subjective explanation that to be a nation is enough to consider oneself as such is vague, making it impossible to define it fully. He then concludes that neither of the two definitions is satisfactory.

But, what then? What makes a nation a nation? In this search for an answer, Anderson's subjectivity offers an alternative approach, but to what extent it dialogues with Hobsbawm's⁵⁶ requires caution since Anderson's (1991) "Imagined Communities" says that standard features that connect or differentiate communities were invented. The issue then lies in how this national identity diffuses so that the State can identify itself as a nation-State. If for Anderson, a sense of belonging to the nation comes into being based on ethnic, racial, and cultural identification, proclaiming freedom from the old structures of domination, what makes the nation imagine itself as a community is the horizontality of its structure, regardless of the inequalities and exploitations that may exist within this project, encompassing all members in a sister way.

Following this path, nationalism as a 'Gellnerian' or 'Andersonian' sentimental mechanism capable of generating a nation, as Hobsbawm (2011) said, may very well foster the nation to form a national and developmental group or a class coalition capable of defining a national development project, regardless of the political regime. Thus, in a nation-State, when the society

⁵⁶ Cf. Tilly, C. *The Formation of National States in Western Europe*. Princeton: Princeton University Press, 1975.

is divided into groups or social classes, some groups tend to unite around the more suitable economic policy regime for the moment, and it can be liberal, collective, or State-driven.

Given the above discussion of the idea of a nation as an essential element of economic nationalism, it became clear that nationalism can only be defined in the nation-State boundaries. Nationalism is, therefore, the primary nation-State ideology. A nation-State, in its turn, is the byproduct of a particular time in history when economies became market economies par excellence. Naturally, in this context, even before a nation is formed through the agency of nationalist inputs upon a territory, people live in such territory, have a shared history, possess good common traits and interests, therefore capable of dominating this territory and eventually building a State. However, only under industrial market economies, these people can stand as a nation under a nation-State format.

Nevertheless, regardless of this industrial time frame imperative for the existence of a nation, this study closely follows Bauer's (1907) ideas when he stresses that for a people to become a nation, it does not have to be ethnically homogeneous or even speak the same language. However, it must have (or build) a shared history and assume a common fate.

Economic nationalism, then, as a compound term, faces a double conceptual challenge: it must be thought of as embedded in a nation-State environment which, in turn, must be conceived as part of a specific historic market-economy ambience. In his effort to meet the challenge, Gilpin (1987) states that economic nationalism is an ideology that favors State interventionism over other market mechanisms, with policies such as domestic control of the economy, labor, and capital formation, even if this requires the imposition of tariffs and other restrictions on the movement of labor, goods, and capital. Economic nationalism tends to emphasize industrialization (and often aids industries with State support) due to beliefs that industry has positive spillover effects on the rest of the economy, enhances the self-sufficiency and political autonomy of the country, and is a crucial aspect in building military power. Furthermore, economic nationalism questions the benefits of unrestricted free trade, favoring protectionism and stating that markets should subordinate the State. Economic nationalism tends to see free international trade as zero-sum since free international trade's goal is to derive relative gains instead of mutual ones.

Long before Gilpin's (1987) statements, Heilperin (1960), despite perceiving economic nationalism in more practical terms within an economic dimension as a program, had called attention to the practical ideological dimension of nationality in which they were embedded. For him, economic nationalism could be understood in a narrow sense as a particular program

or ideology, such as protectionism, or in a more inclusive and encompassing sense as those aspects of nationalism that pertain to the nation's economy.

Following Heilperin (1960), Pickel (2002, 2003) states that economic nationalism is a specific dimension of nationalism and cannot be adequately examined through economic theory. He points out that the economic dimensions of specific nationalism must be understood in national discourses rather than in the context of general debates on economic theory and policy.

Further, Gilpin's (1987) understanding disregards Helleiner's (2005) assumption that economic nationalism can manifest itself in liberal contexts, but it is never associated with mercantilist practices. For Gilpin (1987), economic liberalism is opposite to economic nationalism because the latter inevitably implies economic intervention, which economic liberalism rejects in theory. However, Chang (2002, 2002b) re-states Helleiner's assumption when he remarks that rich countries that embrace liberal economic policies made and make use of nationalist, and therefore, protectionist policies, but this does not mean that economic liberalism and economic nationalism have become compatible. The two economic policy regimes are contradictory, says Chang, but according to the interests of the moment, liberal elites may embrace the two ideologies at once.

As seen, this seems to be an endless conceptual debate. However, Pickel (2002, 2003) reassures a relevant point by saying that rather than being the opposite of economic liberalism, as the conventional view maintains, economic nationalism is better understood as a generic phenomenon that can accommodate almost any doctrinal content, including economic liberalism. Economic nationalism, therefore, should not be understood as the opposite of economic liberalism, but that economic liberalism is itself a type of economic nationalism.

Whether, as says Hsu (2017), Western critics nowadays usually discredit economic nationalism as some form of mercantilism that causes either depression or war or both, such a narrow definition of economic nationalism in terms of protectionism is contested by several development scholars, such as Crane (1998), D'Costa (2012), Glassman (2004), Harmes (2012), Helleiner (2005), Nakano (2004), Pickel (2002, 2003) and Shulman (2000). Helleiner (2005), for example, argues that economic nationalism should not be interpreted as any substantive doctrine but, instead, be understood fundamentally as a generic discursive structure and a set of practices designed to create, bolster, and protect national economies in the context of a world economy. In this sense, political leaders should not urge to discard mercantilist policies. However, as Nakano (2004) says, although economic nationalism is not necessarily antithetical

to external economic activity, it is opposed to allowing a nation's fortunes to be determined by world markets alone.

Furthermore, Hsu (2017) states that when bringing the role of the nation and nationalism to the core of the development issue, economic nationalism implies that a nation's economic development is embedded in nationalism, or in a State's national identity, because it is the nation that draws people together to undertake political action. In this sense for the author, while the concept of the State refers to the concrete political apparatus that governs people, territory, and resources, the concept of the nation is more abstract and refers to a collective identity or an imagined community, in Andersonian terms, that draws people together to undertake political action.

In its turn, under an economic nationalist orientation, the State's action and performance derive support from the nation in two ways. First, as developmental statisticians such as Amsden (1989) and Woo-Cumings (1999) argue, the State can guide and protect the economy by safeguarding the nation from external imperialist and communist threats. Second, the cohesive power of the nation could allow and foster the materialization of specific policies through the idea of an imagined community shared by the members of the State, which then enhances social integration crucial for developing a prosperous State economy.

To argue that State policy is embedded in national identities does not mean that nationalism spontaneously and peacefully generates pre-existing features. Quite the contrary. As Kuus and Agnew (2007) and Mezzadra and Neilson (2013) argue, since nationalism is a complex web of disputed and contingent relations between the self and other, meaning people, and the onshore and offshore, meaning territoriality, being the State the responsible actor for defining and regulating the relations, the territorial space, and the laws.

Next, for Penrose and Mole (2008), the State, as the par excellence the political organization governing the territory, may strengthen the idea of a nation since the State can enhance that imagined community by creating authentic and material communities of interest in which the State's actions towards the well-being of the residents make them attach their economic fate to that of the national State. A State can be vital to developing popular support for nationalism as a modernization project by creating national markets and promoting industrialization (Gellner 1983).

Hsu (2017) in a rejoinder says that the resulting economic development may create and stimulate the idea of an attachment to the nation, which, in turn, increases the State's political power. Naturally, his assumption is functionalist and circular; however, it offers valuable

insights, and, to avoid its circular reasoning, the feedback shall not be seen as deprived of other external and internal elements that may come in its way, and, therefore, it is in this study considered only as a possibility and not as a determination.

3.3.3. Economic nationalism, conflicting interests, institutions, arrangements, and policies: great nation or great country?

In a market economy, interest groups act upon the State to define or redefine institutions and policies to pursue self-benefit. Given the interplay of State policies, the relation between the interests of the individual and groups vis-à-vis the prosperity of the national collective is far from being a certainty. In such an uncertain situation, economic nationalism may function as a valuable tool to accommodate conflicting interests. Again, a question remains: valuable to whom? The answer will depend on the State's focus on creating or being capable of creating a great country or a great nation.

If the State focuses its policies on the grandiosity of the country instead of focusing them on the grandiosity of the nation, favoring political and national and international business groups per se over the national collective well-being aspirations, and becoming these groups the primary beneficiaries of the State's actions, the economic nationalism implemented can be said to be merely rhetorical because it lacks the essence of what mostly qualifies this ideology, as shown above.

In short, one may say that there can be two types of economic nationalism: a liberal-like-oriented type and a more-collective-oriented one, being both possible and promising, according to some authors as we have seen, or being the first a misinterpretation of the real fundamentals of the economic nationalism concept according to some other authors. This comparative study of South Korea and Brazil's outcomes after about twenty years of developmental militarism between the 1960s and 1970s based on economic nationalism argues that the first type was implemented in Brazil and the second one in South Korea and that many of the results observed are due to this different political deployment of the concept.

If liberal-like-oriented, economic nationalism fosters market economy and strengthens market mechanisms, valuing capital accumulation over labor to benefit political and business groups for their own sake. As a result, the country's grandiosity is directly aimed at selectively contemplating the country's population and projecting these groups' and these groups' interests nationally and internationally. The nation is marginally considered. If collective-like-oriented, however, economic nationalism aims to prioritize society as a totality without disregarding political and national groups in the process.

Whether nation and nationalism can be considered to have been core elements in the development process of countries that are now economically rich and with populations that share high-income rates, it cannot be denied that nationalism, fundamental as it may be, implies a contradictory association of permanent conflict and cooperation between the elites and the people. According to Gellner (1983, 1993) and Hroch (1996), it is not the nation that defines nationalism but the nationalism of a political elite that forms the nation according to its interests. Putting it differently, the nation is not a natural given but an artifact that a societal group or class uses to affirm its interests and values. At least at the first moment, the State is a reflex of these interests. However, this first consolidated institutional arrangement is subject to change since it is dynamic, and other groups of interest with different ideologies may come into play. Renan (1882) argued that nationalism is a daily plebiscite. This is so because it is built, unbuilt, and rebuilt daily according to a redistribution of power among the various groups of interests and their ideologies.

Based on these elements, this research suggests that counting with different institutional instruments and arrangements built in Brazil and South Korea during their developmental military period of the 1960s and 1970s, a nation-developmental-oriented process was set in motion in South Korea. In contrast, a country-developmental-oriented process was set in motion in Brazil. It argues that beyond the State's long-term technological upgrading planning and its actions, a strong nationalism was decisive to support the process that brought about the outcomes observed in South Korea, which were based on an economic nationalism profile in which long-term socio-economic interests and objectives could be shared among societal groups. The same, however, cannot be said about Brazil, where there was not any coherent State's long-term technological upgrading plan, but a fragmented and disjointed one, embedded in a rhetorical nationalism, aimed to justify selectivity and socio-economic segregation.

Finally, two other related to economic nationalism are worthy of mention since they may impact economic nationalist policies. First, nationalism is not the same as cultural identity, although the two have much in common. A country may have a strong cultural identity but still, be economically and/or politically subordinated, demonstrating the inexistence, mis formulation, or misapplication of economic nationalist policies. Interestingly to observe that middle-income rate countries like Brazil and Mexico have solid cultural identities but weak national ones, while, in Canada, for instance, such cultural identification is much softer, but its people have a solid national identity. The US, Germany, China, and South Korea have managed to conjugate nationalism and cultural identity throughout their history.

Second, as Cohen (1991) stated, there are benign and malign forms of nationalism. In the latter, the government seeks national goals relentlessly, whereas, in the former, it is prepared to compromise national policy priorities when necessary to accommodate the interests of others. Extrapolating these considerations on nationalism and moving the focus to its economic application, Reich (1991) and Levi-Faur (1997), in the same line of argumentation, and using List's arguments, advocate the positive or benign form of economic nationalism, calling it "the benevolent version" that places national interests above any other. Bolesta follows this line of argumentation (Bolesta, 2015). These two terms may bring some thought to the reader of this study, as they brought to its writer.

In the end, a presentation of this intricated net was considered contributive to achieve a consistent explanation for this dissertation's alleged puzzle. Thus, in short, economic nationalism does not rest on any dogmatic developmental, ethnic agenda or such, but rather on the pursuit of growth in its terms, privileging either national efforts and capacities, if of a collective-like-oriented type, or privileging selective societal groups and subordination to more prosperous and powerful countries, presumed to be more competent in dictating the economic policies that a developing country should embrace, if of a liberal-like-oriented type.

3.3.4. Economic nationalism and Nation-building⁵⁷

In the twentieth century, nation-building was a ubiquitous part of US foreign policy in many parts of the world. Nation-building means creating a country that functions out of a non-functioning one. In this sense, the old one may have been destroyed in a war or fallen apart, or never really worked properly. Further, nation-building is also understood as a set of government policies designed to encourage a keen sense of national identity. No matter who's, nation-building can be understood as a goal to encourage the economy to grow and unify the people within a country to remain politically viable and stable over the long term. Nation-building after a war, independence, or on the verge of a total collapse of a country's economy is, therefore, contemporarily seen not only as necessary for that nation's prospects but also its neighbors, the region, and, sometimes, the entire world.

One may interpret nation-building acting from three perspectives: endogenous, exogenous, or a combination of both. No matter which one is in action at a certain point in time, it means an intense intervention in a country, of the sort that one can do when is in control of the territory and there is no government except you. Nation-building aims to significantly

⁵⁷ For detailed information see subsection 4.2.5.1. in this work.

change a country's political structures to fundamentally adapt it economically to serve determined interests, internal or external. To do so requires the new group (or groups) in power to make lots of changes necessary before launching the process. Therefore, to succeed, every piece of infrastructure, every piece of the economic system, every piece of the political and military system must come under the new group's control.

4. THE SOUTH KOREAN CASE

Employing the analytic framework built upon the contributions and critique of those three explanatory perspectives discussed in the previous chapter – liberal, state-driven, and geopolitical, enriched with the ideational economic nationalism and nation-building perspectives, this chapter brings politics from and center to the study of South Korea's case in the second half of the 20th century, in particular its development trajectory and subsequent technological upgrade strategy to show how they explain the country's escape from both the low and middle-income trap in short four decades. It presents a historical narrative based primarily on the State-driven perspective, though freed from its methodological nationalism and critically complemented by an analysis of the role of economic nationalism and nation-building as an enlarged operational ideology,⁵⁸ without losing sight of key contributions issued from the liberal and geopolitical perspectives.

4.1. South Korean developmentalism: a historical perspective

A premise underlying this chapter, common to explanations of other successful East-Asian countries such as Japan and Taiwan, is that South Korean trajectory during PCH's regime was shaped by seven key analytic components to make sense of the effectiveness of its developmental state: 1) an autonomous government and a competent bureaucracy; 2) foreign solid political and economic support and protection; 3) capability of monitoring economic performance and reciprocity demands; 4) close and effective relations to private business, so-called embedded autonomy;⁵⁹ 5) a set of incentives and non-discretionary and discretionary disciplinary measures; 6) a long-term technological upgrading and developmental strategy; and 7) an effective national-centered economic nationalism and nation-building operational ideology (Evans, 1995; Schneider, 1999, 2015; Amsden, 1989; Wade, 2004, Lima, 2017; Medeiros, 1997; Cho, 2001; Dall'Acqua, 1991; Kay, 2002; Kang, 1996; Johnson, 1985, 1999; Önis, 1991; Castells, 1992; Reinert, 2010; Lai, 2018; Kim, 1995; Westphal and Kim, 1982;

⁵⁸ Economic nationalism is a two-in-one concept since it, at the same time, functions within the parameters of a specific discursive structure, an ideology, and a set of practices designed to create, bolster, and protect national economies in the context of a world economy (Author's note).

⁵⁹ Evans's longstanding comparative research on the successes and failures of state involvement in the process of industrialization has demonstrated that successful state action requires an understanding of its limits, a relationship to the global economy, and the combination of a coherent internal organization and close links to society. Evans calls this capacity "embedded autonomy," which promotes the rapid and effective implementation of policy priorities and is associated with the most successful developmental states.

Caldentey, 2008; Bresser-Pereira, 2019; Helleiner, 2002; Crane, 1998, 1999, Abdelal, 2001; Schulman, 2000).

Throughout the history of developmental-States (DS), the state has intervened with various incentives,⁶⁰ deliberately distorting relative prices to stimulate economic activities to compensate for "lateness" or foster commercial and industrial opportunities. This has been true in both developed market economies and developing⁶¹ ones such as the United States, Germany, South Korea, Japan, Taiwan, Brazil, India, and Turkey.

Yet, in some late industrialized countries, like South Korea, Japan, and Taiwan, during their catching-up trajectory, besides incentives, the State implemented disciplinary measures over subsidy recipients in exchange. The State imposed performance standards on private firms, a mechanism not found in their Latin American counterparts. Still, subsidies have not been giveaways, but have been dispensed on the principle of reciprocity (In Kim & In Vogel, 2011, 2013).

Next to the State, the agent of expansion in most late-industrializing countries, including South Korea, is the modern industrial enterprise, a type of enterprise that can be described as significant in scale, multidivisional in scope, and administered by hierarchies of salaried managers.⁶² Even in Taiwan, an economy of small and medium scale enterprise, the large-size firm spearheaded industrialization in the early stages of growth (Chandler, 1977; Wade, 2004). Big and diversified business groups, as stated by Amsden (1989), are common to all late industrializing countries, but those in South Korea, called chaebols, have become especially large, diversified, pervasive, and resilient. Thus, as pointed out by Amsden (1989), the size of the chaebol and their broad diversification into non-related products have allowed them to survive the hardships of late industrialization, penetrate the lower end of numerous foreign markets, and supplant the need for multinational firms to undertake major investments in targeted industries.

At this point, one question stands: are discipline, subsidies, big and diversified businesses, and State agency sufficient to drive development in developing countries to turn it into a developed one? If so, could any type of State do it, whether democratic or authoritarian? Can

⁶⁰This study uses the term incentive or subsidy interchangeably to express any form of financial assistance the State provides to businesses.

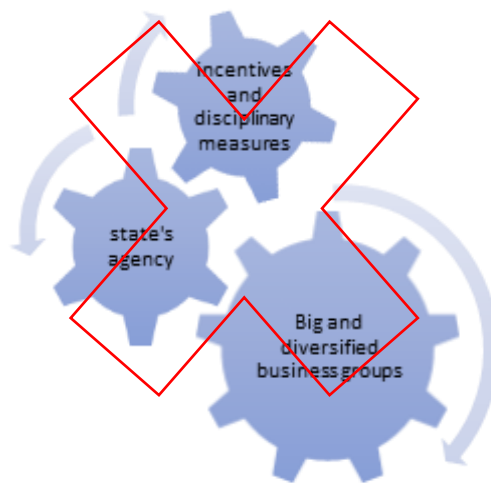
⁶¹ Although this study is fully aware of the theoretical differences, it uses the terms developed and major economies interchangeably in this study. The same applies to developing and peripheral.

⁶² In South Korea, the modern industrial enterprise takes the form of diversified business groups, or chaebol, whose size and diversity are like those of the zaibatsu, Japan's pre-war big business groups (Amsden, 1989).

this government-big business-disciplined-subsidized relation all alone explain South Korea's success? Are these features capable of explaining the alleged failure of Latin American countries, particularly Brazil, to overcome that middle-income status, technological dependence, and reach that same South Korean socio-economic upgraded post? The answer to these questions is a sound no (CHART 2).

This alternative dissertation perspective proposes, then, a set of variables that aim to contribute to providing answers to those questions. They are the type of state, business configuration, state-business relationship, productive pattern (ISI, EOI or transitional), the international environment and its geopolitics, and the role played by the ideational development pattern encompassing the dynamic, whether complete oriented to economic nationalisms or economic globalism explanation's operational ideology (Figure 24).

CHART 2: Analytical limitations of current explanations of South Korea's developmental puzzle



SOURCE: Author.

There is a general idea that Korea was an "immense rice field" at its release from the Japanese yoke in 1945. This idea, however, does not necessarily correspond to the truth since there was already budding industrialization, albeit timid and dependent, happening in the colony by then. Korea's early industrialization is a necessary background to the forthcoming explanation below.

In short, the beginnings of Korean industrialization are closely linked to the country's opening in the late nineteenth century, linked to the expansionism of three empires: Chinese, Russian, and Japanese. Despite the Chinese emperors collecting taxes from the Kingdom of

Choson, China did not exercise strict control over Korea and granted it broad autonomy. China's attitude changed at the end of the nineteenth century when the Western colonial pressures on the region intensified, and a new actor came into the scene, Japan, that adopted the same Chinese controlling strategy (In Kim & In Vogel, 2011).

Chinese authorities in coalition with Korean agrarian elites tried unsuccessfully to isolate Korean territory in the face of expanding Japanese colonial interests. The tipping point came in 1876 when Japan forced Korea to sign an unequal trade treaty, which forced Korean openness in favor of Japanese interests, in return for the recognition of Korean sovereignty. This, in practice, corresponded to a declaration of war from Japan to China that resulted in making China recognize Korean sovereignty. The same occurred concerning Russian interests in the following years, with Korea becoming a Japanese protectorate under the Eulsa treaty⁶³. Subsequently, based on the recognition of Japanese interests over Korea, an annexation treaty was signed in August 1910, by which Korea became a Japanese colony. Japanese control over Korea extended the privileges of Japanese traders, such as tax exemption and the importation of their products, causing Japan to expand its markets, generating a modernization of the administrative system, and opening the country to capitalist industrialization (Seth, 2011).

During the Japanese occupation of the Korean peninsula, Japan implemented some modernization mechanisms to transform the country's productive structure and administrative control through a rigorous bureaucratic system.⁶⁴ The Japanese bureaucracy expunged territorial control from the feudal elite, which was not eliminated but conveniently used at a low cost for mutual benefit. Thus, despite greater centralization and control, to maintain regional control and encourage rice production and exports, the Korean agrarian elite, called Yangban, was granted modern property rights over agricultural territories previously controlled on a feudal basis (Seth, 2011).

In this context and next to the modern property rights, the Yangban elite benefited greatly from rice exports and eventual extra-agrarian incentives.⁶⁵ The case of business enrichment of

⁶³ As a result of the 1905 treaty -- which laid the foundation for the country's subsequent annexation in 1910 -- Korea was stripped of its diplomatic sovereignty, losing its voice and representation on the international stage until its liberation in 1945.

<http://www.koreaherald.com/view.php?ud=20210707000790>

⁶⁴ The number of civilian bureaucrats was 87,552 in 1937, of which 52,270 of them were Japanese. If the military and members of public or partially public companies were included, the number of Japanese would reach around 246,000 compared to 63,000 Koreans (Seth, 2011).

⁶⁵ Japanese industrial groups, called zaibatsu, contributed to the construction of factories and infrastructure. Although some large Korean companies emerged in the colonial period, the Korean business community focused on operating small commercial businesses or supplying large Japanese companies. The first laws passed after annexation in 1910 and which limited Korean capital formation

the Kim Family, for instance, ended up creating the textile company Kyungbang which received grants and public credits from the Industrial Bank of Korea, even though it focused on financing Japanese companies (Cumings, 2005, Seth, 2011).

According to Cumings (2005), Japanese colonization was not limited to extracting natural resources but also created industries in Korea, with the concentration of light industries in the South and most of the heavy industry in the North of the peninsula. Manufacturing growth accelerated further after 1930, owing to a change in Japanese policy that greatly favored imports from within the Yen Bloc. Thus by 1940, the South had a modest but significant modern manufacturing sector, concentrated in light industries and machinery production (Westphal and Kim, 1982).

So much so, says Cumings (1981, 1990), that there was a significant increase in the number of industries spread throughout the northern and southern part of the peninsula, which employed 384,951 people in 1932, jumping that number to 1,231,713 people in 1943, not including construction and mining. In this context, there are examples of Korean industries that, based on comparative advantages of cheap labor, have even conquered the market, such as textiles. Most of the industries created during the occupation were subject to Japanese interests and needs, as were the cases of the steel industries and petrochemicals, and regardless of the industrial and infrastructural improvements placed in Korean territory by the Japanese,⁶⁶ these improvements did not bring any extra well-being for the Korean general population.

This brief description may give the idea that Korea had taken the industrialization route by the end of WWII, even more considering the physical capital left behind by the Japanese after their withdrawal in 1945, but this cannot be considered as a sufficient explanatory element of later (South) Korean success since practically all of it was destroyed in the subsequent Korean War. As to human capital, it does not amount either to a satisfactory explanation since, throughout the colonial period, the dynamic industrial sector of the Korean economy was controlled by Japanese people, firms, and institutions, who transferred back to Japan at the end

induced that 70% of companies were Japanese, 10.5% Korean Japanese, and only 18% of them entirely Korean (Cumings, 2005). In addition to these characteristics, it should also be noted that most of the heavy industry and more than 90 percent of the electricity generating capacity were in the North (Westphal and Kim, 1982).

⁶⁶ The extent of construction of railroads with Japanese capital reached 6,000 km in 1933. Similarly, the roads expanded explosively, so that in 1945 an estimated 53,000 km had been built. However, this Korean network railway was built according to Japanese economic and military objectives, such as transporting troops and materials for Japanese military campaigns in Manchuria and China, as well as for loading ores and meeting the needs of heavy industry installed in the north of the peninsula. Therefore, although in 1945, the Republic of Korea had a relatively vast rail network connecting cities and ports, its economic impact was rather limited (Cumings, 2005, Seth, 2011).

of the war not only technology but also the most qualified technicians and administrators that had hitherto operated the peninsula's industrial plants (Blumenthal & Lee, 1985; Dall'Acqua, 1991).

Thus, the industrialization in Korea during the Japanese colonial period would not have been a relevant differential material factor to explain the subsequent South Korean economic development. However, a non-material Japanese contribution cannot be disregarded, as its influence on the South Korean DS's profile implanted years after was important (Amsden, 1989; Johnson, 1985, 1999). Therefore, much of the developmental ideology that oriented the 1961 coup was absorbed from the Japanese and implemented by the military group that seized power (In Kim & In Vogel, 2011).

Before moving to incorporate the ideational drive, one ought to go back in time in search of other keys to assist in gaining a fuller and more robust understanding of the South Korean DS success through an assessment of the historical socio-political and economic environment, particularly the economic policies implemented immediately after the Japanese eviction and during the Korean War. Although the Japanese surrender to the Allies, followed by the exclusion of Korean territory from the administrative jurisdiction of the Japanese government on January 29, 1946, which marked the end of Japanese colonialism in Korea, the independence of South Korea was only formally recognized by Japan in 1951 through a peace treaty that established, among other provisions on Japanese property (firms, rural lands, equipment and machinery, urban lodging and any financial assets), the mechanisms through which it would be done. It was expressly established in a document formulated by the United States military government (In Kim & In Vogel, 2011). It thus appears that the end of WWII was a critical juncture for what was to happen next in South Korea.

Two contingent political events resulting from the end of WW II impacted South Korea's long-run trajectory right from the start: the division of the country and the split of the Korean nationalist movement. Despite the possibility to create a single independent Korea, the tutelage exercised by the leading winning powers of the conflict posed a strong ideological influence, exercised by the Soviet Union and the United States on each side of the established border, dividing the country in such a way that the possibilities of union hindered (In Kim & In Vogel, 2011, Seth 2011).

In this divisive environment, two relevant issues remained pendent over the US transition administration office: what to do with the Japanese properties and the local business community. Due to the internal dissatisfaction among peasants and the degenerating

geopolitical environment, it seemed logical to conclude that fast measures needed to be implemented (In Kim & In Vogel, 2011).

The properties of the Japanese government, its citizens, and its legal entities were transferred to the United States military government for different destinations on December 6, 1945. As to South Korea's local business community, an insertion of South Korea in a regional liberal market that limited the import-substitution context was drafted, with Japan as a regional leader for the US's sake. However, this economic strategy required a local leadership to combine the US government's confidence with a strong image against Japanese colonialism to exercise political control and eventual reunification. At the time of exile in the United States, Syngman Rhee was to be given this role and the task of seeking a reunification that would never come (In Kim & In Vogel, 2011).

Regarding formulating the economic strategy to accommodate peasants, the business community, and geopolitical interests, two plans were carried out right from the liberation: the Nathan Report and the Three-Year Task Assistance Program, characterized by substantial technical and financial assistance from the American government. Before these plans, there was tentatively an economic adjustment effort outlined in the Dodge Program, which was widely known for the success achieved in Japan and Germany, but which in Korea was never implemented (In Kim & In Vogel, 2011; Dall'Acqua, 1991; (In Kim & In Vogel, 2011).

Amid these plans, the agrarian reform hangs dangerously among discontent peasants. According to Kay (2002), Korea was essentially a rural country with over four-fifths of the rural population in the mid-1940s. Landed property was concentrated, with about half of the farmland owned by less than 5% of farm households. However, tenants and a few hired laborers farmed most of the land. Tenants were mainly sharecroppers living at subsistence levels.⁶⁷ At the end of WWII, the landlord-tenant system largely predominated (Morrow & Sherper, 1970).

⁶⁷ The agrarian issue is a distraught one for the South Korean economy. It is an impoverished country in arable lands. The geography of the peninsula is quite mountainous. Approximately 20% of the country's land is arable. In addition, the fact that it is a highly population-dense country makes the issue even more peculiar. In 1955, 61.9% of the population lived in agricultural areas. Over the years, the reduction in this percentage has been drastic. In 1960 it was 58.3%, 45.8% in 1970, and in 1980, 28.9% of the population lived in rural areas. These data provide an excellent example of the social transformation brought about by economic development in Korea. In terms of GDP share, agriculture accounted for 43.9% in 1955, falling to 26.4% in 1970 and 14.4% in 1980. In 1970 agriculture employed just over half of the country's labor force, falling to 34% in 1980 and 13.6% in 1990 (Jeon; Kim, 2000).

Besides being politically justified by the link of the landowning elite to the Japanese, this agrarian reform was significant to alleviate social conflicts that, during colonization, focused mainly on the dispute over land ownership. Thus, during the US military government, a first land redistribution occurred when 240,000 ha of Japanese crops were transferred⁶⁸ (Dall'Acqua, 1991; You, 2005) and helped to establish a base for an eventual reasonably equal distribution of income, which, however, has not yet been confirmed from the data presented in this study during the period under the scope and until today. Nevertheless, with slight ups and downs, this stagnated rate has characterized South Korean economic income distribution development since then., despite the increasing general well-being.⁶⁹

In Kay's (2002) words, the South Korean land reform implemented was a typical land-to-the-tiller program as all tenants were entitled to ownership of the land they farmed. As expected, farm ownership significantly increased after the land reform, constituting almost 70% of farm households. In comparison, tenancy declined to 7% in 1965, although it increased after that to the extent that, by 1986, 30.5% of the country's total farmland was under the tenancy. This is a much higher percentage than Japan's 7% and Taiwan's 5% (Boyer & Manahn, 1991).

Although redistribution was not free, it was done under reasonable conditions to acquire properties (Mitchell, 1949). Realizing that land reform would not be restricted to Japanese-owned land, as the Land Law passed in March 1950, many landowners stepped up and sold their land, taking advantage of the increased demand for land and population growth (Jeon & Kim, 2000). As a result, both the number of owners, production, and productivity increased, consequently increasing financial results, and, despite the difficulties concerning the technical efforts to implement policies within new institutional arrangements, the administrative division of Korea did not leave the agenda adrift, capturing the hearts and the minds of the people (In Kim & In Vogel, 2011).

While the first land reform was in motion in the southern part of the peninsula, the Soviet Union favored a definitive separation to establish a tutelage system. The Soviet Union would indirectly control part of that region in due course. The United States, for its part, had a similar idea but demanded tutelage based on the Korean population, which would bring advantages if approved. No agreement was settled, and the United States proposed to the United Nations to

⁶⁸ Available at:

https://archives.kdischool.ac.kr/bitstream/11125/41956/1/%282012%29%20Modularization%20of%20Korea%27s%20development%20experience_land%20reform%20in%20Korea.PDF

⁶⁹ See Chapter 4 concerning the stagnated income distribution in South Korea, despite the increased general well-being.

hold elections, boycotted by the Soviet Union in the North but held in the South, contributing to the definitive separation (In Kim & In Vogel, 2011).

4.1.1. The Syngman Rhee legacy

The elected National Assembly favored Syngman Rhee, who won the elections in July 1948, backed by the Democratic Party of Korea, PDC, with a conservative bent and pro-US. Thus, democratically, the PDC took control of the Assembly, projecting its ideological view in the Korean constitution.⁷⁰ On August 15, 1948, the Republic of Korea was officially declared, and in the following month, independence, determining that the remaining Japanese properties in the hands of the American military government should be passed on to the Korean government (Jones and Sakong, 1985; In Kim & In Vogel, 2011; Seth 2011).

The following years spawned the conflict between the Democratic People's Republic of Korea and the Republic of Korea, which broke out in a war with the North Korean attack on June 25, 1950,⁷¹ and the capture of Seoul by its forces, as well as almost all the South Korean peninsula, except for the area around Busan in the extreme southern part. The war took place amid significant economic and human losses. However, transfers of Japanese property continued to be carried out even during the conflict, leading to the loss of power by the South Korean rural elite due to an agrarian reform project. The conflict strengthened the military state, formed by former tenant peasants, small traders, and urban workers who, together, were ideologically transformed by the expectation of a national remaking after WW II and an awareness of their importance (Ibid.).

After North Korea's first attack, the American reaction was immediate. They retook the territory and advanced along the 38th parallel divisional inward, taking advantage of the opportunity to try a reunification. Soviet passivity on the issue left room for China to enter the geopolitical board, backing the North Koreans and imposing successive defeats on North American forces and capturing the South Korean capital, later retaken by American forces. An

⁷⁰ After the election to the Constitutional Assembly in May 1948, which confirmed the constitutional determination that the president would be elected by the members of the National Assembly, presidential elections were held on July 20, and Syngman Rhee was elected president.

⁷¹ The war was so violent, and its adverse effects felt so quickly that in December 1950, the UN Korean Reconstruction Agency (UNKRA) was created, a United Nations body aimed to rebuild South Korea. However, the agency only started to operate effectively in 1953, when the armistice agreement was signed, permanently sealing the division of Korea. UNKRA played a fundamental role in the reconstruction of the country, including the reconstruction of industrial plants. In addition to providing fertilizers, wood for home reconstruction, and other raw materials, the Agency also provided capital goods necessary for commercial activities. These investments, in addition to helping to promote economic development, also helped to control inflationary pressures.

armistice was finally signed on July 27, 1953 (Jones and Sakong, 1985; In Kim & In Vogel, 2011; Seth 2011) to put the conflict on hold. Thus, it remains almost 60 years later.

According to Kim (1995), this dubious political climate, along with the people's desire for economic self-sufficiency and increasing political autonomy, was a significant determinant of the implementation of an import-substitution growth strategy by the South Korean government under Rhee and American representatives, concentrating on domestic markets that grew daily as North Korean refugees poured into the country. As part of a broader US plan for the region, it was expected that later South Korea could replace Japan as a producer of secondary consumer goods, becoming and remaining at most, as a subcontractor. However, as history unfolded in the 1960s and 1970s, outcomes differed from expected.⁷²

After the Korean War, Rhee's administration implemented an industrialization program alongside the US representatives. Together they articulated an import-substitution strategy to South Korea to generate export surpluses and replace Japan as a natural exporting partner for non-durable goods. It would be done by creating a productive national and regional export network in East Asia. However, this ISI program was doomed to be reshaped and function as auxiliary power to the export-oriented industrialization that was pragmatically deployed by the PCH's economic nationalism right from the start of its rise to power in 1961. Such an industrial structural transformation was not on the US's economic radar at all by the time of the coup. The Americans had to cope with it playing blind and deaf for the sake of geopolitical interests.

Thus, this dissertation recognizes that South Korea's post-coup development was favored by Cold War geopolitics. Nevertheless, other contributions such as PCH's leadership, a responsive State-business relation, Rhee's institutional background, and a specific economic nationalism and nation-building paved the way to pragmatic implementation of an essential nationalist EOI program in South Korea. All these points are polemical and will be treated at specific moments ahead. In this subsection, the study focuses on Rhee's institutional background, generally forgotten to be mentioned in the developmental literature concerning South Korea's success. Thus, the subsection builds upon previous insights in the literature that

⁷² The Korean War marked a change in the relationship between the US and South Korea. After the end of WW II, Korea was under American protection. However, society's yearning for independence combined with the peninsula's division agreed between the Americans and the Soviets, made the American presence in the country appear as an unnecessary interference. On the one hand, after the Korean War, however, the American presence was perceived as an important asset for the survival of the nation. On the other, Americans were skeptical about a conflict in the region after the Korean War and turned both eyes to the Korean peninsula.

hint at the need to revise interpretations of statements related to Rhee's import-substitution-oriented industrialization as a monolithic agenda.

On the one hand, there are those that disregard any Rhee's propositive contribution for the implementation of the EOI model materialized Years later. Dall'Acqua (1991) and Collins & Park (1989), for instance, stress that it is only in the second phase, started in 1960, that South Korea defines itself pursuing an export model because, in the previous period, a complex and restrictive system of commerce established under Syngman Rhee's administration, severely limited the expansion of exports. Westphal and Kim (1982) corroborate that South Korea's industrial expansion from 1955 through the early 1960s was mainly oriented toward the domestic market, and import-substitution in light manufactured and non-durable consumer goods played a significant role.

Westphal and Kim (1982) follow this same line and show that exports in 1956 amounted to less than half their actual value in 1950. In the late 1950s, the growth of exports began to accelerate gradually so that by 1960 their real value surpassed that of 1950 by about 16 percent. In absolute terms and relation to GNP. Therefore, exports in 1960, despite growing, remained small.

Moreover, Dall'Acqua (1991) shows that under PCH, the export model does not appear in any initial development plans' proposal despite its paradoxical emphasis on the need for the installation of a self-sufficient economic structure later achieved simply because there was not the necessary institutional and physical infrastructure available at the time. In a similar perspective, a 1987 Federation of Korean Industries – FKI report, says the author, states that although the EOI was decisive and should have been implemented earlier in the 1960s, justifying the lateness by stating that unlike Hong Kong and Singapore, it was the country's lack of natural resources that made export-oriented industrialization the inexorable option, and it occurred just in a second moment.

However, this study challenges these previous statements and arguments. It states that the government's intention to adopt an EOI model was part of a hidden agenda from the very first moment of the coup and, in a sense, was also present in Rhee's administration. If it happened a bit later, as it did, it was due to other circumstances. In part due to Rhee's conflictive agenda and PCH's will. Moreover, this study opens the debate concerning two other points: 1- it concurs with the gradual implementation of the export orientation but disagrees that this orientation was gradually outlined throughout the 1960s; 2- the argument that a reorientation from the ISI to the EOI model only took place some years after the coup due to international

restrictions and the need for a more pragmatic orientation of the South Korean growth model to cope with international trade demands is only partially valid.

Even though light industrialization and other industrial export activities were part of the South Korean economy in Rhee's administration, one cannot deduce that the South Korean Developmental-State has its origins in this period. Mainly if one maps into Rhee's economic nationalism versus PCH's directives, and procedures. However, although Rhee's government orientation did not implement an EOI model, some economic advances, institutional elements, and protectionist policies were implemented.⁷³ For example, customs tariffs were increased markedly, from taxation of 10% on average to 40%, particularly on those goods whose national production intended to boost, while reducing the tax on capital goods and inputs needed for this replacement (Jones and Sakong, 1985; In Kim & In Vogel, 2011, mason et al).

Such policies fostered a local industry and contributed to creating a clientele formed by a network of businesspeople eager for state benefits, such as access to foreign aid through an overvalued exchange rate. This mechanism facilitated Rhee and the party that supported him (PL) to obtain captive, political, and economic inputs. In return, it brought enrichment to PL members and local businesses, generating support for Rhee and the emergence of a new political and industrial elite (Jones and Sakong, 1985; In Kim & In Vogel, 2011, Mason et al., 1985).

Exports increased foreign exchange availability, whether as commodities or industrialized products, and Rhee's administration was sensitive to this necessity. So much so that exporters benefited from financing on foreign exchange money at preferential interest rates since 1950 and from 1951 also benefited from an overvalued exchange rate for the acquisition of intermediate goods and equipment. In the end, in addition to exports of primary products, it also can be observed in Rhee's period the promotion of the production and export of light labor-

⁷³ From an economic viewpoint, there was an attempt at industrialization by import-substitution during Rhee's government. The objective was to eliminate the need to import mass consumer goods, such as food and textiles. The government used foreign assistance resources to implement this strategy, kept the exchange rate devalued, imposed quantitative restrictions on imports, and launched a subsidy policy. Graham (2003) argues that probably the main legacy of this import substitution strategy was the emergence of a class of wealthy entrepreneurs, who would be needed for the following phases when an industrial policy based on the choice of specific companies to operate in strategic priority sectors. This view is corroborated by Song (2003), analysis of the exhaustion of the import substitution strategy: "(...) by this time a group of capable entrepreneurs emerged, and the basis for further industrialization into the next phase of development was laid by them". Graham (2003) further points out that Samsung and Daewoo, two of the largest Korean industrial conglomerates, started their business activities in the textile industry during this period.

intensive manufactured products (Jones and Sakong, 1985; In Kim & In Vogel, 2011, Mason et. Al, 1985).

Due to the upsurge of a light-industry ecosystem, the need for imported inputs for its manufacture decreased substantially, helping to generate new foreign exchange and guarantee low-cost employment for exiles returning to the country. These represented a substantial comparative advantage to South Korea at the time. Therefore, light labor-intensive industrial production under Rhee's administration was an advance consistent with the ISI agenda of his period. However, putting side-by-side Rhee's ISI agenda with other policies implemented during his government, a certain dubiousness seems to have oriented his industrialization goals. An EOI agenda seemed to lie hidden under his ISI policies, despite being totally out of the question at that moment. It came to be only under PCH's administration if there was one.

Certain institutions created under Rhee's period were fundamental, if not critical, for implementing PCH's exported-oriented industrialization agenda a few years later. The creation of the Bank of Korea after the establishment of the Republic of Korea in 1948 and the transfer of the central bank's functions, previously centralized at the Bank of Choson to its jurisdiction, were instrumental in the implementation of monetary and financial policies under the future coup government's guidelines, particularly with regards to exchange modalities. Maintenance of an overvalued exchange rate, which PCH's government made heavy use of to stimulate exports and imports (Jones and Sakong, 1985; In Kim & In Vogel, 2011, Mason et al., 1985), for instance. Another was the creation in 1954 of the Development Bank of Korea.¹⁸The resources of the United States International Cooperation Administration and the United Nations Agency for the Reconstruction of the United Nations was initially channeled to replace imports (Rhyu, 2005).

The financial system designed by Rhee's administration combined public and private institutions. Some previously Japanese-owned banks were privatized and offered to industries for a special price, including Samsung, which acquired the Chohung and the Hungop banks; Samho, which acquired the Jeochuk bank; and the Textile Daehan Corporation, which took over the Jeil bank (Lim, 2010). Later, these sales would be questioned by the coup government that directly or indirectly took control of the whole banking system.

Thus, Rhee's administration liberalization movements and its timid support to promote export-industrialization produced policies that ended up favoring industrialization, opening space to future advances of the economy. To promote better income distribution, reduce inflationary pressures, and stimulate the economy, the Extraordinary Tax Law passed in 1951

taxed property, luxury consumer goods, and land, on the top of a progressive income tax and, subsequently, the contribution of fiscal measures focusing on the promotion of industry and a specific income tax to finance education (Bahl, Kim & Park, 1986).

4.1.2. Land reform

Key to South Korean fast track to materialize a successful developmental State, the land reform implemented in the 1940s, 1950s, and 1960s is qualified in this study, alongside the end of WWII, the 1961 coup, and the 1972 constitution as a contingent event, and, maybe, the most relevant of them, because it triggered a causal chain⁷⁴ that significantly contributed to the intensification and sedimentation of the industrialization process during PCH government.⁷⁵

Rhee's land reform acted as a contingent element and made possible the genesis of a new South Korean socioeconomic fabric later, eminently industrial.⁷⁶ It had effects in limiting the

⁷⁴ In a causal chain composed of crisscross causal mechanisms, the South Korean agrarian reform was undertaken in two rounds soon after World War II. The first one was during US provisional government from 1945 to 1948. The second, was throughout the 1950s and 1960s. They mainly helped prevent socialist uprisings and rural exodus in an impoverished country under reconstruction. It was done primarily by redistributing the former large estates in properties of up to three hectares. Under a national reconstruction program undertaken by Rhee's government, and later under Hee's developmental State project, the agrarian reform helped prevent slums from being formed in industrial cities and reduced landlord power. Since the landlord's influence on the State was negative, this power reduction allowed structuring a more technocratic and productive administration and bureaucracy, later necessary to implement Hee's coordination over the five-year plans. In this land redistribution process, small-scale agriculture became more dynamic and started to use fertilizers and pesticides, boosting the industry in this sector. The increase in productivity brought an increase in the income rate, part of which was taxed by the State and redirected to boost the nascent local industry, contributing to the ongoing technological upgrade. Moreover, the increase in agricultural productivity demanded other industrial inputs, which, in its turn, guaranteed the absorption of surplus labor in other industrial sectors while generating a growing supply of cheap food to the urban population, particularly to the growing labor class. The increase of industrial activity demanded technical qualification, boosting the construction of technical training centers. In its turn, the expansion of technical training centers demanded higher education to expand, particularly in engineering, which in turn technologically requalified the industrial and technological pattern.

⁷⁵ The US provisional government (1945-1948), the redistribution of land owned by the Japanese was welcomed by the South Korean rural tenants as much a speculative opportunity as a dream to come true. Some of those tenants, who believed the agrarian reform would unfold over the South Korean elite's lands, illegally sold the parcel received, cashed the money, and waited for the next round in the certainty that the agrarian reform would be an ongoing process, as it turned out to be in the following two decades. Some others, who thought otherwise, took the chance and bought it (Vogel, 2014). regardless of the impacts of the reform during Rhee's government, it was only during PCH's government that agrarian reform interlocked with Hee's developmental State project by continuously and systematically integrating into the accelerated process of industrialization.

⁷⁶ Land reform began through the Agricultural Land Reform Act (ALRAA) in March 1950. Supported by constitutional laws, the reform achieved quick results. In 1951, 96% of the arable land became self-produced - in contrast to the previous predominant system of semi-feudal leasing- demonstrating the reform's distributive intention (Jeon and Kim, 2000). The singular equanimity of income distribution in South Korea is pointed out by several researchers as a product resulting mainly from the agrarian reform of that period.

political influence of the rural elite and, in general, in the emptying of the agricultural sector in favor of the industrial segment. Events of the immediate post-colonial years under direct American influence and later under Rhee's administration left the top South Korean economic elite of the colonial period in disarray. Compromised relations with Japan and hostility with communist regimes deprived the earlier business rural leaders of suppliers, contracts, and funding sources. Land reform began during the American military government and continued during Rhee's and Park's administrations, depriving the colonial agrarian elite of a capital base and discouraging land-based class ties. Although several colonial-dependent capitalists regained prominence with trade and light manufacturing investments, and regardless of its positive impact, it was not a smooth transition (Kang, 1996).

Regarding the impact of the land reform and its role as a contingent catalyst element of future development, Kay (2002) argues that while other authors consider the nature of the intersectoral relationship between agriculture and industry as of prime importance for explaining differences in the development performance between countries, the debate on whether agricultural development is a prior requisite for industrialization or whether both can be concurrent processes is still unresolved.

This study follows the former. In this same line are Mundle (1985) and Reinert (2010). Mundle states that to achieve a successful industrialization process, a country must first solve the problems associated with the generation, transfer, and use of an agricultural surplus since this is crucial in the initial stages of industrial development. Only later, once an industrial sector has been established, it can generate the necessary surplus for investment from within the sector, and the need to extract an agricultural surplus becomes less urgent. At later stages of economic development, the flow is often in the opposite direction, and industrial surplus ends up helping to finance agriculture. In the same vein, Reinert (2010) says that development often involves hardship in the agricultural sector to finance industrialization.

The agrarian reform in South Korea generated resources for industrialization in three ways. The first was through an increase in productivity. Agricultural family plots, now freed from sharing production with landlords, obtained a consequential increase in income, which was, in turn, primarily destined to educate the following generations since schooling was broadly perceived as a promising mechanism of social upgrade in South Korean society. The second was the capital provision, since the former rural landowners, forced to sell their land, invested their revenues in industrial projects (Kim & Koh, 2010). Finally, the third was the elimination of this

rural elite who owned the land, facilitating the construction of a new political balance, now linked to the industry, a new product sector (In Kim & In Vogel, 2011).

Beyond this technical debate, one cannot fail to consider the importance of agriculture and the effects that agrarian reform had throughout the 1950s, 1960s, and 1970s, playing a critical role in the modernization of South Korean society due to its multiple ties to the process of industrialization. This study indicates the indirect but contingent role of land redistribution in this modernization process.

4.1.3. Foreign aid⁷⁷

In its catching-up process, the flow of external resources made available to South Korea by developed Western powers, mainly the US, and how PCH's administration effectively took advantage of them, differ substantially from the amount made available to Brazil under the same access conditions, as well as their employment. The geopolitical context of the Cold War explains the difference in the quantity and quality of this inflow but does not explain its different use in these two countries.

Western powers highly considered the expansionist threat of communist Chinese and the Soviet Union over East Asia. Furthermore, the integration of Japan into the productive American sphere as the coordinating agent of Western interests in the region implicitly implied that East Asian countries should perform as subcontractors for Japanese enterprises. As such, investments should be made to structuring these industrializing countries by qualifying their industries under the profile of import substitution models to attend Japanese and Western countries' demands. Thus, geopolitical, and economic interests configured the amount and quality of the resources available to South Korea.

The American and Japanese intentions toward South Korea as one of these subcontractors, the most important one due to its fragile geopolitical situation concerning a North Korean potential invasion, conditioned foreign funding industry destination but conflicted with PCH developmental State's EOI ones. So much so that, as far as possible, those funding resources were rechanneled by PCH's administration for investment in specific industrial sectors and used to reshape its productive pattern, turning the country into an industrial export player of increasing local content technology. Far away from the mere subcontractor, it was designed to be by the US and its allies.

⁷⁷ For more information see subsection 4.2.5.1. in this work.

4.1.3.1. Unraveling the foreign aid

During Rhee's administration, the South Korean economy survived thanks to foreign aid from the United States and the United Nations (UN) (Jones and Sakong, 1985; In Kim & In Vogel, 2011). This aid was instrumental in financing the South Korean government and importing food and manufactured products. US aid came through two channels: the Food for Peace Workshop, approved by Public Law 480, and the International Cooperation Administration. The first financed imports of American food products; the second facilitated various types of aid, such as raw materials and industrial plants to produce consumer or manufactured goods. Similarly, the UN Civil Relief Program aimed to alleviate the population's most basic needs. At the same time, the Korea Reconstruction Agency, another institutional mechanism created by the American occupation forces just after the end of WWII, channeled funds to the domestic manufacturing industry. In addition to these financial and institutional instruments, one cannot fail to consider the effects of US spending on maintaining military forces in Korea, which counted USD9.8 billion between 1954 and 1972. (Jones and Sakong, 1985; Mason et al., 1985; In Kim & In Vogel, 2011).

The US aid in various fronts, seen as a project designed to transform South Korea into a productive Japanese platform within the parameters of an ISI model. Whether consciously promoted or not by Rhee's administration, it became a reality through institutional arrangements established with American assistance. The considerable number of US dollars received by the country during Rhee's administration was further augmented by establishing an overvalued official exchange rate. Thus, the dollars received had less purchasing power in the local economy, to the North American displeasure. This slowed down the projected ISI agenda since it generated a massive import of foreign goods regardless of the selective access to this exchange (Jones and Sakong, 1985; Mason et al., 1985; In Kim & In Vogel, 2011).

In the end, regardless of the massive foreign funding (see TABLE 11 ahead), Rhee's inconsistent agenda did not please either the local population or the American authorities. Finally, the questionable results of the presidential elections that gave victory to Rhee and his vice-president candidate in 1960 spurred a wave of student protests in April of that year, which, although harshly repressed by the regime and lacking further support from the US, led Rhee to resign and go into exile, what made possible a democratic transition, although a brief one and with short-lived results (In Kim & In Vogel, 2011).

4.1.4. In transit toward a speedy developmentalism

A new constitutional charter was promulgated following Rhee's resignation. Part of the presidential powers was transferred to the Prime Minister, and both, President and Prime

Minister, would be indirectly elected by the National Assembly. In the July 1960 elections, the Democratic Party was victorious, electing Chang Myon as Prime Minister while the new President had not been chosen yet. Shortly after that, however, he left power, inaugurating a transformative period in South Korean postwar politics and political economy (In Kim & In Vogel, 2011).

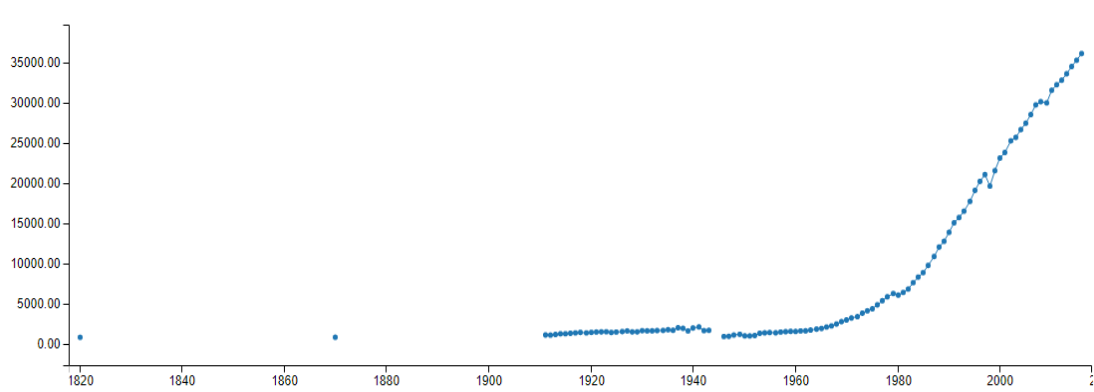
At this point, critical issues about the origins of South Korean growth in the second half of the twentieth century, particularly in the 1960s and 1970s, begin to unfold. Among them is the answer to a three-part question: does this successful growth harken back, in some way, tangibly or not, to the industrial experience under Japanese domination, the American occupation ISI project, or Rhee's administration fumbled stop-and-go policies? The answer to the first part is a partial no. The Japanese domination created a somewhat solid industrial infrastructure and led to the enrichment of local human capital. Both, however, were substantially compromised during the Korean War. Nevertheless, the training of the local personnel, mainly military, during years of occupation aligned with the Japanese developmental economic nationalist ideology indirectly informed the launching and fostered the changes to come. As to the second part, the answer is yes, since the US support just after WWII and in the following years significantly contributed to establishing a nation-building project, independently of whether it aimed primarily at meeting American geopolitical and economic interests. As to the last part, the answer is also a resounding yes, mainly due to the institutions that emerged during his period.

Rhee took office in 1948 during a chaotic infrastructure and financial crisis. The recovery out of this situation was when the Korean War exploded. Barely three years later, in August 1951, in the middle of the war, the destruction of the manufacturing industry was already notable, when 75% of the graphic park, 64% of textiles, 40% of ceramics, 35% of equipment, 33% of chemical, 26% of metallurgical and 20 % of food were disabled (Rhyu, 2005).

Despite this dire situation, South Korea experienced an average annual growth rate of 4.6% right after the war and posted a GDP growth of 33.89% between 1953 and 1960 (FIGURE 1). Although the economic structure remained unchanged in a comparison between the end of the Japanese occupation and the period after the Korean War, from 1955 till 1960, a structural change became noticeable, and the participation of the industrial sector in the GNP increased (TABLE 1) (Jones and Sakong, 1985; Mason et al., 1985; In Kim & In Vogel, 2011).⁷⁸

⁷⁸ Available at: https://kellogg.nd.edu/sites/default/files/old_files/documents/166_0.pdf Accessed on 02/02/21

FIGURE 1: Evolution of GDP per capita (South Korea)



SOURCE: <https://clio-infra.eu/Countries/SouthKorea.html>

TABLE 1: Percentage shares of GNP (1970 prices) by sector

| INDICATOR | 1955 | 1960 | 1965 | 1970 | 1975 |
|---|------|------|------|------|------|
| <i>Percentage Shares of GNP (1970 prices)</i> <i>Value Added in:</i> | | | | | |
| Primary Production | 47.5 | 42.6 | 41.0 | 29.2 | 23.0 |
| Manufacturing | 7.9 | 10.8 | 13.9 | 21.6 | 31.9 |
| Social Overhead a/ | 4.2 | 6.0 | 8.5 | 13.3 | 13.7 |
| Services | 40.4 | 40.6 | 36.6 | 35.9 | 31.4 |
| Gross Investment | 10.0 | 8.6 | 12.9 | 27.2 | 26.3 |
| Exports of Goods and Nonfactor Services | 1.4 | 2.4 | 5.2 | 14.7 | 28.3 |
| Imports of Goods and Nonfactor Services | 11.2 | 10.4 | 9.8 | 24.8 | 27.2 |

SOURCES: Bank of Korea, Economic Statistics Yearbook, 1967, 1969, 1976; Bank of Korea National Income in Korea, 1975; Economic Planning Board, Korea Statistical Yearbook, 1975; and Wontack Hong, Factor Supply and Factor Intensity of Trade in Korea (Seoul: Korea Development Institute, 1976 in Westphal and Kim (2015) (adapted by the author).

However, Kim (1995) claims that South Korean economic growth was virtually stagnant under Rhee's administration, who was eventually forced to resign because of its stagnation and government corruption, pressured by the public anger over the continuing economic decline and the weak development. Nonetheless, the country's growth rates during this period can

Available at:

<https://databank.worldbank.org/reports.aspx?source=2&series=NY.GDP.MKTP.KD&country=KOR#>

Accessed on 02/02/21

Available at: <https://www.macrotrends.net/countries/KOR/south-korea/gdp-growth-rate> Accessed on 02/02/21

Available at: <https://clio-infra.eu/Countries/SouthKorea.html> Accessed on 02/02/21

hardly be interpreted as a poor achievement, except when compared to the future growth during PCH's administrations. In 1948 the GDP per capita was USD1,098.87 and in 1960 it was 1,547.69.⁷⁹ An increase of around 45%. In addition, although the turning point in South Korean industrialization in the 1960s can hardly be attributed solely to Rhee's accomplishments, it is undeniable the role played by the institutional contributions of his administration as seen above.

In the end, South Korea's economic development from the end of the Korean War till 1960 underwent a process of industrialization much different than the one experienced during Japanese domination, as economic growth increasingly relied on the development of the non-agricultural sectors, particularly light manufacturing. Industrial policy in the 1950s remained largely inward-looking, although measures were taken to counter-act disincentives to export. Consequently, exports grew slowly while high tariffs and various quantitative trade restrictions encouraged import substitution, particularly the complicated system of multiple exchange rates affecting the consumer goods industries (Mason et. al., 1985).

Still, according to Mason et al. (1980), the evolution of Korea's industrial incentive policies from the end of the Korean War to 1977 is a story of continuous, although sometimes halting, movement towards an open export economy. The historical development of incentive policies in the post-war period can be divided into three phases. The first phase lasted from the Korean War to 1960 and was characterized by easy import-substitution. The second phase encompasses 1961-1965 and marks the transition to an export-oriented policy. The third phase began in 1966 when the export-oriented industrialization strategy became institutionalized (Mason et. al., 1985).

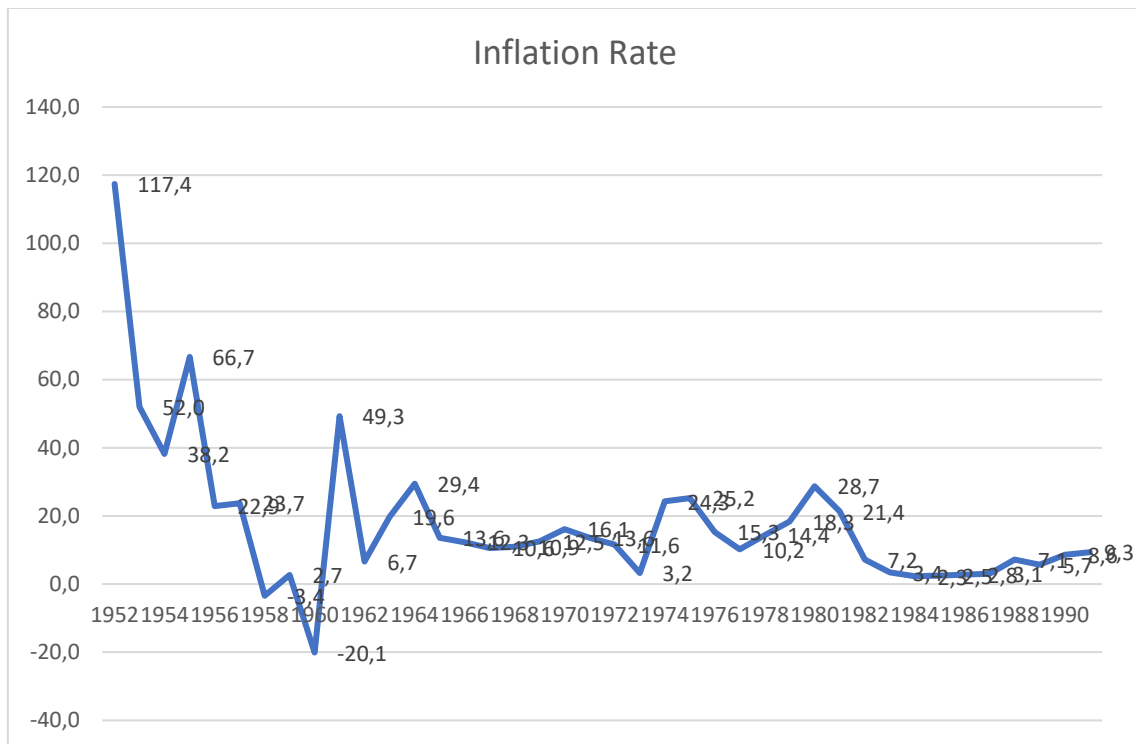
During the transitional period, from 1961 till 1965, the initial steps were taken in 1960 by Chang Myon to alter the direction of import-substitution incentive policy toward a unifying of the exchange rate and reduction of the degree of the currency (won) overvaluation, part of a new stabilization program to contain inflation. Inflation has been a significant problem in South Korea since 1953 when Rhee's administration established as a primary objective of its economic policy to reconstruct South Korea's infrastructure and industrial facilities destroyed by the war. PCH would have to cope with it by employing either orthodox or heterodox policy. He chose the latter.

During the transitional period, the high rate of domestic inflation (FIGURE 2) brought about a situation in which the official foreign exchange rate (FIGURE 3), despite unsuccessful periodic

⁷⁹ Available at: <https://clio-infra.eu/Countries/SouthKorea.html#visualizations> Accessed on 02/02/21

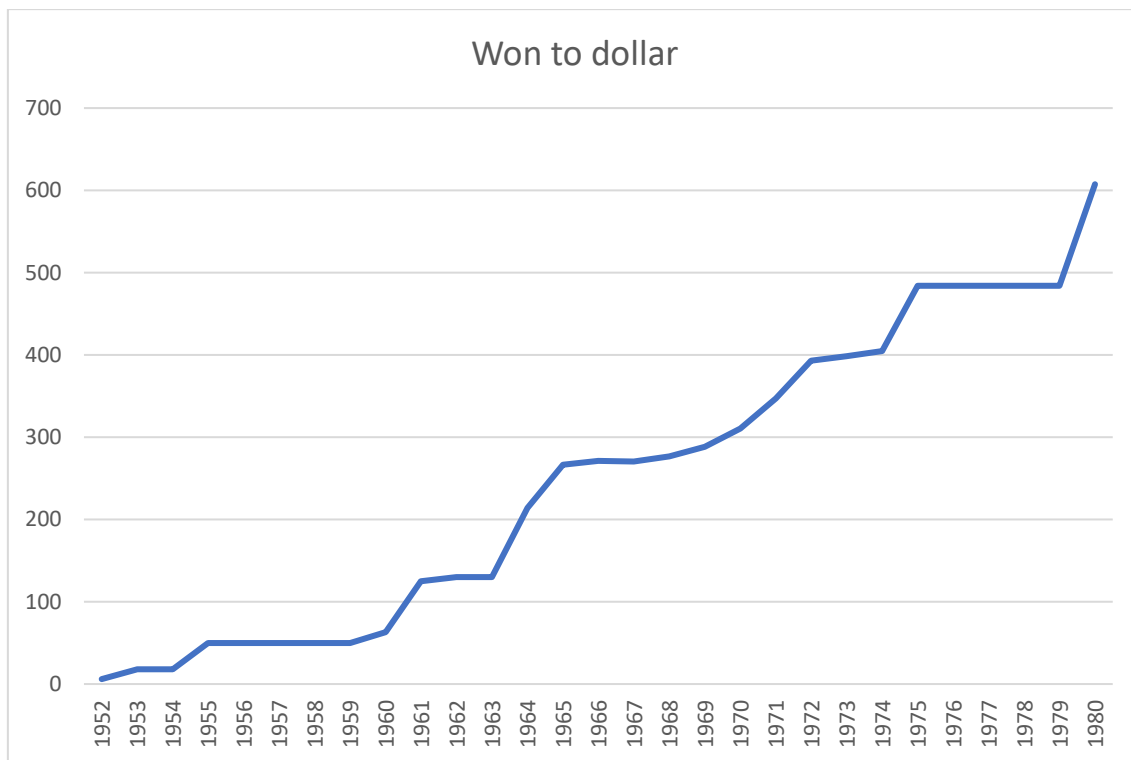
devaluations, saw the overvalued won persist. The import-substitution development strategy designed by the US after WWII left a legacy of negative external account balances to the new coup government because the destructive effects of the Korean War impacted the economy between its formulation and the time of its expected results.

FIGURE 2: Evolution of inflation rate in South Korea (1952-2-10)



SOURCE: <https://clio-infra.eu/Countries/SouthKorea.html#visualizations>

FIGURE 3: Exchange rate Won -USD (1952-1980).



SOURCE: <https://clio-infra.eu/Countries/SouthKorea.html#visualizations>

According to Mason et al. (1980), playing hard to get between ends and means, this situation remained unsolved during Rhee's administration, despite various ad hoc measures to alleviate the excessive demand for imports and to offset disincentives to exporters attached to a complicated system of multiple exchange rates. Chang Myon's short-lived administration did not have the chance to prove that its unified exchange rate strategy could function since it was soon after that doomed to failure by the expansionary policy implemented by PCH's governments.

Mason's negative assessment of Rhee's administration efforts is just partially correct. The difficulties faced by Rhee's administration to cope with the inflation rate through ad hoc measures were somehow the result of his ambiguous economic policy since, at the same time, disincentives measures were applied, other incentive measures, as previously described, came into existence voiding the effect of the former.

An initial observation of Rhee's efforts may indicate that a national developmental project was underway. However, despite its benefits to sectors and societal groups, its internal logic differed from the economic nationalism later implemented in PCH's regime, standing, at best, as one with a limited and selective economic nationalist purpose. Therefore, one can argue that

Rhee's administration did not have a comprehensive developmental State configuration as the one erected by PCH. However, it remains unclear whether the economy under Rhee was adequately oriented to fulfill its liberal role as a Japanese subcontractor, as expected by the US through the fostering of an import-substitution agenda.

Mason et al. (1980) shares similar doubts considering ambiguous facts. From the end of the Korean war, both the South Korean and the US governments shifted their attention to the problems of reconstruction and development of the Korean economy. However, there were fundamental disagreements between them over the right approach. Rhee's administration aimed at building a modern economy like, but independent of, the Japanese economy. Its desire was for new factories and heavy industries financed through foreign aid, having little regard for the inflationary impact of the heavy investment programs or the long-run issues of comparative advantage. If this is true, intentions and results did not walk hand-in-glove in Rhee's period. On the one hand, Woo-Cumings (1998) has a skeptical view over Rhee's period, leaving no margin for ISI or EOI ideational analyses:

"The early phase of ISI in South Korea for much of the 1950s was not an ill-thought product of home-grown economists (...) but a catch-as-catch-can method to absorb foreign aid dollars in infrastructural and industrial projects and to keep the foreign aid spigot open (...). Syngman Rhee was aware of the American plan to solve two intractable problems at once – the revival of the Japanese economy and the maintenance of viability in the two Cold War wards – by linking them in a regional market, which meant recycling US aid dollars through Taiwan and South Korea to buy goods from Japan". (Woo-Cumings, 1998:330)

On the other hand, the US was concerned about moving the South Korean economy towards self-sufficiency as fast as possible under an ISI program while counting on Rhee's desirable pro-ISI behavior, holding down the aid requirements, and minimizing the instability controlling inflation process. Thus, it seems there was an apparent disagreement over the issue of resource mobilization, with the South Korean government wishing to rely mainly on external resources, or, if necessary, on inflation as a means of mobilizing domestic resources, and the American government urging more significant South Korean efforts at domestic resource mobilization through increased taxes and private saving. In addition, there was also disagreement over the allocation of resources? Heavy investment in factories and infrastructure, as desired by Rhee's administration, or less capital-intensive investment in the rehabilitation of light industry and infrastructure and fuller utilization of existing capacity, as advocated by the Americans (Mason et. al., 1985).

Seeking to accommodate these conflicting long-term goals, the US elaborated a short-term plan and presented it as a report to Rhee's administration. The Nathan Report suggested that South Korea could become self-sufficient in five years by combining rice, mineral, and textile exports to finance the imported intermediate and capital goods required by light, import-substituting industries. To do so, an aid input of USD 1.25 billion was proposed to achieve these objectives and to bring the economy to both internal and external equilibrium. However, coordination and agreement with Rhee's administration to implement this proposal were challenging to achieve. However, despite disagreements on both objectives and approach, the aid continued to flow to small-scale projects, dictated by the American side, which, according to Rhee's administration, did little to promote long-term development (Mason et. al., 1985).

Therefore, evidence points to a view that Rhee intended to foster industrialization further than he could accomplish due to imperative American interests. However, putting aside Rhee's administration's actual goals and poor agency, its physical and institutional contributions were essential for the results achieved twenty years later by PCH's administration.

In the early 1960s, the coup government discontinued Rhee's financial stabilization program, proposed his government's end, and adopted an expansionary policy. Although this policy helped activate the then sluggish economy, it sharply re-accelerated the domestic inflation rate. It made even the devalued nominal exchange rate quite unrealistic by the end of 1962 (see TABLES 1 and 2 above).

Without a clear prospect for the inflation rate in sight, the coup government focused on managing the exchange rate as a possible solution mechanism. To mitigate the effects of the currency overvaluation, the government introduced in 1963 a full-scale export-import link system under which the volume of non-aid imports was limited to the number of export earnings, resulting in the return to the multiple exchange rate system. A more significant step in the transition to an export-oriented policy was the exchange reform rate reform of 1964-1965, when the government devalued the official exchange rate from 130 to 256 won per dollar, alongside a tax rate reform in 1965 (Mason et. al., 1985).

In addition, in September 1965, the interest rates on bank savings deposits and loans were raised sharply as additional measures. Quantitative controls over imports were gradually eased as the trade balance improved while the average legal tariff on imports increased and export

incentives increased.⁸⁰ It was expanded from 1961 till 1965, indicating the government's commitment to growth through export-oriented industrialization (Mason et. al., 1985).

Although government policy had moved from 1965 onwards toward exports, import substitution was not neglected and, in fact, was pushed on a selective basis. However, the funding for both was strategically selective to rely primarily on foreign loans and as least as possible on direct foreign investments, monitored strictly under the government's approval scheme (Table 2).

TABLE 2: Net Borrowing, Direct Investment, Debt Service, and Export Earnings, 1965-1975 (USD millions)

| | Net Borrowing (1) | Direct Investment (2) | Total (1) + (2) | Debt Service (4) | Exports (5) | Debt Service Ratio (4)/(5) | Capital Flows/Exports (3)/(5) |
|------|-------------------------|-----------------------------|--------------------|------------------------|----------------|-------------------------------------|-------------------------------------|
| 1965 | 101.2 | 20.1 | 121.3 | 9.9 | 175.1 | .057 | .69 |
| 1966 | 218.2 | 2.2 | 220.4 | 15.6 | 250.3 | .062 | .88 |
| 1967 | 419.8 | 19.9 | 439.7 | 35.8 | 320.2 | .112 | 1.37 |
| 1968 | 533.2 | 24.2 | 557.4 | 83.6 | 455.4 | .184 | 1.22 |
| 1969 | 499.2 | 28.2 | 527.4 | 137.7 | 622.5 | .221 | .85 |
| 1970 | 420.0 | 61.4 | 481.4 | 261.9 | 835.2 | .314 | .58 |
| 1971 | 395.3 | 45.2 | 440.5 | 327.1 | 1067.6 | .306 | .41 |
| 1972 | 444.4 | 110.4 | 554.8 | 414.3 | 1624.1 | .255 | .34 |
| 1973 | 719.1 | 264.7 | 983.8 | 505.3 | 3225.0 | .157 | .31 |
| 1974 | 1170.6 | 139.9 | 1310.5 | 608.2 | 4460.4 | .136 | .29 |
| 1975 | 555.0 | n.a. | n.a. | 647.5 | 5081.0 | .127 | n.a. |

Note: Direct Investment is recorded on a commitment basis. For the first ten months of 1975, direct investment approvals were \$ 179 million. See Suck Tai Suh, "Statistical Report on Foreign Assistance and Loans to Korea," KDI Monograph 7602 (Mimeo, 1976), p. 71.

SOURCES: Columns (1) and (4) from EPB. Exports from BOK, Economic Statistics Yearbook and Direct Investment from Wootack Hong, "Trade, Distortions and Employment Growth," Table 4.15. Anne O. Krueger, The Developmental Role of the Foreign Sector and Aid, Table 41. In Mason et al. (1980:201)

⁸⁰ Other export incentives provided included: 1) tariff exemptions on imports of raw materials for export production (since 1959); 2) domestic indirect tax exemptions on both intermediate imports used for export production and export sales (since 1961); 3) direct tax reductions on income earned from exports and other foreign exchange earning activities (since 1961); 4) a preferential export credit (since 1950); 5) a system linking import business to export performance (since 1957); 6) wastage allowance subsidies (since 1965); 7) tariff and tax exemptions for domestic suppliers of intermediate goods used in export production (since 1961). In addition, a government export-targeting system was established in 1962 to strengthen the drive for export expansion further. The Korean Trade Promotion Corporation (KOTRA) was also created in 1964 to support overseas market development. Thus, by 1964-1965, the system of export incentives that was to be in effect during the following decade had been primarily established (Mason et. al., 1985).

4.1.5. PCH developmental project turning point

PCH's regime marked a turning point in South Korea's economic development history. Under his administration, an institutional fabric aimed at bringing the command of the nation's economy into the hands of the state was made possible and nurtured to thrive. The materialization of PCH's vision created opportunities that went far beyond comparative advantages. However, despite the new institutional fabric, his administration built upon institutions created during Rhee's previous administration subsumed under a new strategy, capable of optimizing it in favor of a nationalist development project, albeit autocratic.

Analytically, at this point, it is appropriate to separate PCH's regime into two periods. The first runs from 1961/3 until 1971, when industrialization was concentrated in the consumer goods industry. Many of the institutions that would conform to the South Korean developmental state were created in this period. From 1972 until Park's assassination in 1979, the second one focused on developing heavy industry, marked as a period of intense government intervention (In Kim & In Vogel, 2011; Jones and Sakong, 1985).

Considering ratio increment of export manufactured products during the first period, an overall view shows that manufactured exports rose rapidly up from the early 1960s, albeit from a small base. However, the real turning point in both export and industrial growth occurred around 1965, at the end of a period of trade liberalization and the start of significant policy reforms. In the following decade, manufactured export growth and rising domestic demand fueled industrialization much faster than before, as shown in Table 3 below. The compound annual growth rate in the manufacturing output index was 11% from 1955 to 1965, increasing to 24% from 1965 to 1975. Underlying this acceleration was the share of exports in manufacturing (gross) output, which from nil in 1955 rose to about 6% in 1965 and almost 25% in 1975. Within ten years, from 1965 to 1975, the ratio of total exports to GNP more than tripled and the share of GNP, originating in the manufacturing sector, more than doubled (Westphal and Kim, 1982). Manufactured products that accounted for 42% of total exports in 1965 rose dramatically to 74% in 1975 (TABLE 3).

TABLE 3: Compound annual growth rates (percent)

| <i>COMPOUND ANNUAL GROWTH RATES (PERCENT)</i> | <i>1955-60</i> | <i>1960-65</i> | <i>1965-70</i> | <i>1970-75</i> |
|---|----------------|----------------|----------------|----------------|
| GNP (1970 prices) | 3.8 | 6.2 | 11.1 | 9.7 |
| GNP per Capita (1970 prices) | 0.7 | 3.6 | 8.8 | 7.5 |
| Manufacturing Value Added (1970 prices) | 10.3 | 11.8 | 21.3 | 18.5 |
| Index of Manufacturing Output | 12.0 | 9.5 | 24.2 | 23.2 |
| Total Exports (1970 prices) | 16.3 | 24.0 | 36.5 | 25.0 |
| Population 14 Years and Older | n.a. | 2.5 | 2.8 | 3.6 |
| Economically Active Population | n.a. | 2.7 | 2.9 | 3.9 |
| Employment Total | n.a. | 2.4 | 3.5 | 3.9 |
| Employment Manufacturing | n.a. | 12.2 | 10.7 | 11.4 |
| Real Wages Average in Mining and Manufact. | 5.1 | 1.1 | 7.1 | 8.4 |
| Real Wages of Agricultural Labor | n.a. | - 0.1 | 8.2 | 1.5 |
| Prices GNP Deflator | 12.0 | 19.3 | 13.7 | 15.3 |
| Prices Wholesale Price Index | 10.2 | 17.2 | 7.9 | 18.9 |

SOURCES: Bank of Korea, Economic Statistics Yearbook, 1967, 1969, 1976; Bank of Korea National Income in Korea, 1975; Economic Planning Board, Korea Statistical Yearbook, 1975; and Wontack Hong, Factor Supply and Factor Intensity of Trade in Korea (Seoul: Korea Development Institute, 1976 in Westphal and Kim (2015) with adaptations. Adapted by the author.

How did this happen? Moreover, relatedly, first, how did PCH ascend to power? Second, even more important, did he intend to construct a DS in South Korea before the coup, following a conviction based on his assessment of other countries' development experiences or was it a learning-by-doing decision? If he did, was it right after the coup or a few years later, when he was elected president in 1963 and was then capable of realizing the limits imposed by ISI to his project of a South Korean developmental nation? Did he consider in advance the opportunities that the geopolitical space offered to his developmental nation-building project, or this understanding comes later?

First, PCH's rise to power was almost by chance, since he was not the one individual among the coup leadership with the highest probability of assuming the leadership of the coup (Kim and In Kim & In Vogel, 2011; Jones e Sakong, 1985; Mason et al., 1985) and his presidency had less to do with any personal desire to build a political career than to build a great nation. Upgrade the socio-economic and technological living and productive standards present in South Korea historically for as many citizens as possible, breaking loose from the dependence bounds with developed countries that had tied up the country to the low-income trap.

To build a great nation is different from building a great country for several reasons. A great nation requires inclusiveness primarily and, therefore, more complex support coalitions involving the State (and acquiescence of other nation-states as well), business, civil society, and public legitimacy, mainly, when the process is to be based on extensive foreign fundings, as it

was the South Korean case in the 1960s and 1970s. Further, building a great nation requires a long-term and consistent development plan, a non-conflictual strategy with the funders or political agency to convince them otherwise, and effective tactics along the path.

For PCH, the nation was a conjunction of people united under a national sentiment of being an "eternal one," entitled to prosper and live well, representing the utmost goal of a rich country. To attain this privileged situation, these two entities, nation, and country, were to act intertwined in a symbiotic relationship and have the state as its "guardian." This clearly can be seen in his speeches, where he expresses the importance of the state's role in the process and the nation-country intertwined relation in benefit of both:

(...) being one nation is an eternal living body. Therefore, for a nation to be safe and to be transformed, there must be a State as the guardian of that nation. The state is the guardian of the nation. There is no such thing as the prosperity and development of a nation without a State. In the Japanese colonial era, how sad were we because we became a nationless nation? A nation without a country, no matter how excellent and capable an individual is, does not have the opportunity to develop that ability fully. No matter how excellent the nation is, even a nation does not have the opportunity to demonstrate its excellence. However, only when the country is good can our individuals be good. This is the truth as it is: if the country is good, then I can be good, and if the country is rich, then I can be rich, and if the country has glory, then I can be honored. If you say, "Even if I am not good, I should be good. Even if I am poor, I should be rich. If there is an individual or people with such a mindset that I should enjoy the glory even though the country is insulted and embarrassed, that individual and that nation will perish(...). (1973 Park Chung Hee Presidential Speeches, P. 32. Abridged from the original.⁸¹ (Free translation).

⁸¹ 여숙 「

우여를 미는 사람이 있었다는 것을 나는 알고 있습니다. 이이 어미에서 근거해서 나온 세기인지는 모르 겠지만, 반약에 근거없이 aAs 이겟은 상당 회 약회에 잔 연통이었다고 봅니다.

4 리는로 제속 자유 경제 제제를 끝까지 건지 할 것이라고 하유 4가 4거나 가기 위해 해시는 r 상 화학 공업 1을 앞으로 ≡ 34-

았다는 메에 우리 사회에 문제가 있었다는 것입니다. 민족과 국가라는 것은, 이것은 영생하는 것입니다. 특히 하나의 민족이라는 것은 영원한 생령 체입니다. 따라서, 민족의 안태와 변영을 위해서는 그 민족의 후견인으로서 국가가 반드시 있어야 하겠습니까. 『국가는 민족의 후견인 /입니다.

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r 나라와 r 나 j라는 것은 얻 개의 것이 아니라 하나 인 것입니다. 우리 「국민 교육 헌장」에도 『나라의 응성이 나의 발전의 근본임을 깨달아 하는 귀절이 있습니다. 이것은 그대로 진리입니다. 「나라가 잘 되어야만 나도 잘 될 수 있고, 나라가 부강해야만 나도 부강 할 수 있고, 나라가 영광이 있어야만 나도 영광을 누 일 수있다! 이러한 부월 한 국가관이 확립되어야 하겠습니까. 만약 한대로 『

(...) I have mentioned these things so far, "Establishing our firm view of the country, the correct view of history, and the consolidation of the nation's view," will eventually become the country's foundation. When it comes to building a nation, all these things are fundamental (...)." (1973 Park Chung Hee Presidential Speeches, P. 33. Abridged from the original.⁸² (Free translation).

4.1.5.1. Troubled beginnings, inspiration, and overcomes

At the time of 1960 student protests, the military apparatus which had come to fruition under Rhee's government planned a coup that materialized on May 16, 1961, under the leadership of General Park Chung Rhee. Although it was predictable that PCH would seize power, the most visible figure during the early days of the coup was Lieutenant General Chang To-

나라는 잘 못 되더라도 나는 잘되어야 되겠다, 나라의 가난 하더라도 나만은 부자가되어야 되겠다. 나라의 욕되고 망신을 당하더라도 나만은 영광을 누려야 되겠다! 하는 이러한 사고 방식을 가지고있는 개인 또는 민족이 있다면 그 개인 그 민족은 망하는 것입니다. 나는 이것을 「망국 근성」이라고 부르고 싶습니다. 작년 봄 대구에서 「전국 교육자 대회」가 있었읍니다. 나는 그 자리에서, 우리 나라 전체 교육자들에게 우리의 교육에 있어서는 확고한 국가관의 확립과 민족 사관의 경립을 특별히 강조한 바 있습니다. 지난 5년 전 1968년이라고 기억합니다 마는, 우리 국내 자게 저명인 -32-p (1973 Park Chung Hee Presidential Speeches, P. 32)

⁸² 교련 사고 방식을 가진주의가 있다면 이것은 나라를 방하게하는 구의 입니 98 사들의 중지를 모아시 「국민 교육 현장」

을 제정 공포 한 바가 있습니다. 지금까지 말씀 드린 [우리들의 확고한 국가관의 확립, 올바른 역사관, 민족 사관의 경립]

이러한 것이 결국은 국가의 근본이되는 것입니다. 하나의 국가를 건설해 나가는 데있어서, 이런 것이 전부 근본이되는 것입니다. 모든 것은 근본이 튼튼해야됩니다. 근본이 튼튼하고 특 바로서야 만 나라도 발전하고 국력도 배양됩니다. 우리는 지금 나라의 근본을 튼튼히하고 국력을 배양해야 할 때입니다. 「10월 유선」

의 목적은 국력의 배양과 국력의 조직화에 있습니다. 따라서, 「10월 유선 파업」

을 앞으로 수행해 나가는 데 있어서는 국역 책양에 저해되는 요소는 우리가 과감히 시정해 나가야 하겠읍니다. 이것이 또한 유선의 당면 과제라고 보는 것입니다. 이것이 또한 앞으로 우리가 추진할 「

유선적 대 개혁의 기본 방향」이기도 합니다. 따라서, 「10월 유선 파업」

은 이제부터 시작이다, 지금까지 한 것은 어디까지나 정치 작업 이요, 앞으로이 파업을 추진하기위한 하나의 제도적인 개혁에 불과합니다. 기차가 지금부터 달리기 위해서 「레일」

을 깔아 놓았다. 기차는 지금부터 달리기 시작한다, 유선은 지금부터 시작인 것입니다. 그러면, 앞으로 우리가 각 분야에 걸쳐서 어떻게 개혁을 해나갈 것인가하는 데 대한 구상을 몇 개 분야별로 나누어서 요약해서 말씀드리 겠읍니다. 첫째는, 정치면에있어서 구상하고있는 것을 말씀 드린다면 「

10월 유선 질서」의 기본 방향은 『우리의 모든 행동을 생산과 직결시키는 것』

입니다. 이렇 게해야만 국력이 배양되고 국력의 조직화가 이루어집니다. 정치나 경제·사회·문화·교육 기타 모든 분야에 있어서는 마찬가지입니다. 우리나라의 정치도보다 더 능률 저이고, 낭비없는, 생산에 직결되는 정치 계도로 우리는 육성 발전시켜 나가야 되겠읍니다. 지금까지 국력 배양을 저해한 가장 큰 요인의 하나는, 이 자리에서 솔직히 말씀을해서 과거 우리 국회의 비능률적 운영에 있었다고 나는 단정합니다. (1973 Park Chung Hee Presidential Speeches, P. 33).

Young, who at the time chaired the newly created Supreme Council for National Reconstruction (SCNR) and who was the one in charge of communicating to the South Korean population the justifications for that abrupt seizure of power (In Kim & In Vogel, 2011).

The military coup government presented itself as a temporary solution and pledged to respect the international agreements, particularly with the US. Three main justifications were presented for the coup: 1) the corruption that had contaminated Rhee's administration and that had not been resolved by the successor; 2) the pending issue concerning Korea's reunification and the communist threat; and 3) the need to create a stable and independent economy (In Kim & In Vogel, 2011).

According to Mason et al. (1980), the primary declared goal of PCH's military government in 1961 was to accelerate economic growth, which was to be carried into his civilian-like regime inaugurated in 1963. This economic growth goal became institutionally clear with the creation of the Economic Planning Board barely two months after the coup, but even more evident when PCH stated in his own words in 1962 that "in human life, economics precedes politics or culture."⁸³ But, as it will be discussed below, the PCH's ambition was greater: not any growth and not restricted to South Korea, but the whole of Asia and focused on the improvement of the living conditions of the people, putting the economy at people's service, so demonstrating his pragmatic authoritarian profile and his regional economic protagonist intentions.

Interestingly, on occasion after being elected in 1963, he admitted acting like a dictator. By contrast, he pragmatically argued that he was acting on behalf of people's well-being since his administration's primary long-term goal was to build a stable and independent economy. He labeled those who preceded him as dictators but not himself:

To ensure efforts to improve the living conditions of the people of Asia, even undemocratic emergency measures may be necessary (...). It is also an undeniable fact that the people of Asia today fear starvation and poverty more than the oppressive duties thrust upon them by totalitarianism (...). In other words, the Asian peoples want to obtain economic equality first and build a more equitable political machinery afterward (...). The gem without luster called democracy is meaningless to people suffering from starvation and despair. (Park Chung Hee, *Our Nation's Path*. Seoul, p.2, 1970.

Another institution created shortly after the coup was the Central Intelligence Agency of Korea (KCIA), under the command of Kim Chong-Pil, one of PCH's rebel officers and indirect

⁸³ Park, C. H. *The Country, the Revolution, and I*. Seoul, p.26, 1970.

relative. This intelligence agency would exercise strong political control in the coming decades and serve as a tool for eliminating internal opposition. The SCNR and KCIA worked together to quickly ensure control of the country against sympathizers of communism, putting thousands under suspicion, including fifty-one collaborating businesspeople from Rhee's regime, accused of illicit enrichment and tax evasion (Seth, 2011; Jones and Sakong, 1985; Mason et al., 1985; In Kim & In Vogel, 2011).

Following their theatrical imprisonment, these entrepreneurs were later released when they collaborated with the new regime and made their wealth available for national reconstruction. This renewed relationship between government and industrial entrepreneurs would indirectly institutionalize the Korean Federation of Industries (KFI), committed to collaborating closely with the military authorities. (Seth, 2011; Jones and Sakong, 1985; Mason et al., 1985; Kim and In Kim & In Vogel, 2011).

South Korean economic independence is linked with the Economic Planning Board (EPB). The EPB was the centerpiece for industrialization initiatives that officially gave birth to the South Korean developmental state strategy. It was then made clear that the industrialization strategy would be elaborated and directed by the State and implemented by local businesses through incentives and punishing measures. Although the "sticks and carrots" instruments did not appear initially, they emerged gradually and were applied through non-discretionary and discretionary means. These measures were a crucial part of the DS strategy and, to a great extent, responsible for its striking success (Amsden, 1989; Jones and Sakong, 1985; In Kim & In Vogel, 2011).

A tripartite strategy was designed, implemented, and refined along the way from the launch of the EPB based on: 1 - a long term EOI process, as independent as possible without threatening the US, Japan, and other UNO countries' goodwill in financing the operation through substantial low-interest loans, low foreign direct investment and other incentives; 2 - a series of undercover advances and retreats managed to navigate the strategy carefully across the boundaries of the US interests, and 3 - the establishment of developmental state mechanisms and a specific economic nationalist ideology that sought to mimic the early twentieth-century Japanese strategic industrialization trajectory (and partly inspired by German's nineteenth-century industrialization experience), aimed to install a type of corporate capitalism in which the

government, primarily via EPB, determined the parameters and objectives of development⁸⁴ (Jones and Sakong, 1985; Mason et al., 1985; In Kim & In Vogel, 2011).

The strategy's short, medium, and long-term goals were set and implemented through a series of five-year plans, four of them elaborated and conducted during PCH's governments. The various industries and their individual growth goals were identified and integrated. The five-year plans were consecutively improved with the significant influx of data and the refinement of the quantitative models (In Kim & In Vogel, 2011; Jones and Sakong, 1985).

The reorientation of the South Korean development model from an ambiguous DS-like model under Rhee to a more original one under PCH was influenced by the Japanese post-war experience. The geographical proximity and the direct historical link between them and the spectacular Japanese development before, during, and after WWII had a substantial impact on the hearts and minds of those actors defining the South Korean development strategy, particularly after the mid-1960s when relations between them were normalized (Dall'Acqua, 1991).

The post-war Japanese industrialization process was initially oriented to meet domestic demand and gradually redirected to the foreign market. With a ten-year delay, South Korea traced a similar path, experiencing some growth in the 1950s and considerably higher growth and significant changes in the industrial structure after the 1960s (TABLE 4) than the previous Rhee administration (Blumenthal & Lee, 1985).

⁸⁴ See Park, C. H. Major Speeches by Korea's Park Chung Hee, Hollym Corporation Publishers, p. 19, 1970. "Results of Efforts, not a Miracle," concerning PCH's impressions of the visit of West Germany in December 1964. Also see pg. 28 "One Asia", at the 2nd General Assembly of the Asian Parliamentarian Union in September 1966. Also in 1966, "Let us Flow United toward the Ocean off Cooperation", at the opening session of the Ministerial Meeting for ASPAC. Relevant for a clear picture of these issues are speeches "Let us View the Present Situation in Long-Range Perspective", on the occasion for Korea-Japan Diplomatic Normalization Talks, on March 1964. At last, two other speeches accordingly express PCH's thoughts: "For the Modernization of Korea", in May 1969 and "The Dawn of a New Era", at his inaugural address in December 1963.

TABLE 4: Changes in South Korea Manufacturing Output 1960-1980.

| Year | Billions of USD | % of GDP |
|------|-----------------|----------|
| 1960 | 0.45 | 11.40 |
| 1961 | 0.29 | 11.95 |
| 1962 | 0.33 | 11.70 |
| 1963 | 0.51 | 12.84 |
| 1964 | 0.49 | 14.24 |
| 1965 | 0.53 | 17.10 |
| 1966 | 0.66 | 16.70 |
| 1967 | 0.82 | 16.81 |
| 1968 | 1.05 | 17.15 |
| 1969 | 1.31 | 17.07 |
| 1970 | 1.56 | 17.36 |
| 1971 | 1.65 | 16.67 |
| 1972 | 2.03 | 18.73 |
| 1973 | 2.98 | 21.49 |
| 1974 | 4.08 | 20.86 |
| 1975 | 4.39 | 20.13 |
| 1976 | 6.41 | 21.45 |
| 1977 | 8.10 | 21.07 |
| 1978 | 10.99 | 21.14 |
| 1979 | 14.49 | 21.65 |
| 1980 | 14.38 | 21.99 |
| 1990 | 70.90 | 25.02 |
| 2000 | 152.39 | 26.45 |
| 2010 | 313.92 | 27.44 |
| 2020 | 406.76 | 24.95 |

SOURCE: <https://www.macrotrends.net/countries/KOR/south-korea/manufacturing-output>

Japanese State intervention was inspiring for the coup government and guided actions. Despite differences related to banking control and corporate punishment measures, the mechanisms used to implement the export model reflected the decisive role of state intervention and its operationalization through economic development plans that signaled to

the private sector the direction in which the government desired the economy to move (Dall'Acqua, 1991). In this sense, Kuznets (1980) points out that the IV South Korean Development Plan-1977-81 refers to a document prepared by the Ministry of Commerce and Industry of Japan in 1971, which called for similar changes in the manufacturing sector. Further, Blumenthal and Lee (1985) show that there was significant similarity in the policies used by both governments to promote the transition between the strategy of import-substitution and the promotion of exports.

The dead-end at that point was how to finance the EOI project. Since internal resources were unavailable or insufficient, they had to come from abroad and in underrated conditions, if not non-refundable. Foreign financing, particularly from American sources, and the continued building up of foreign exchange reserves, due to the country's pursuit of import-substitution policies, coupled with the capital reorientation of PCH's governments to foster a robust national industry for export, his key strategy for consistent economic growth.

Overcoming the social gap was a must but an economic impediment at the same time. This was the most crucial question of all: the chicken-and-the-egg puzzle. For PCH's administration, the question was also the answer: industrialization. Thus, the solution had to come from within without redirecting resources for social welfare for the EOI project to prosper. PCH's industrialization strategy aimed to strengthen local businesses and provide greater well-being to the population at the same time and at the lowest cost possible. Although his administration fostered the implementation of a few social policies, its primary social objective was to increase labor allocation, particularly in industry, and qualify the workers to occupy industrial posts, relieving the State from the welfare burden, inaugurating an infinite developmental loop (Usami, 2004).

Thus, facing troubles related to funding, international agreements, and genuine local social welfare demands, PCH took inspiration from the German and Japanese late development experiences and manufactured a creative way out of its own. He did that by not working limited by the restrictions of the stabilization macroeconomic and welfare policies, which, he believed, could jeopardize growth. This is so because for PCH's administration, stabilizing and welfare policies were not adequate at that taking-off period - to use Rostow's terminology - if one were to provide economic independence for a country and a permanent improvement in the living conditions (Park, 1979; Jones and Sakong, 1985; Mason et al., 1985; Kim and In Kim & In Vogel, 2011)

4.1.5.2. The first five-year economic development plan (1962-1966)

Despite the long-term goal of PCH's administration to turn South Korea's economy towards an EOI model, the first five-year economic development plan (1962-66) was elaborated, first, to promote the substitution of imports through the production of consumer goods and, second, the export of the excess production to obtain foreign exchange. The South Korean economy necessitated foreign currency to import raw materials and energy resources. Then, the objective was to reduce external dependence and achieve a balanced economic structure (Jones and Sakong, 1985; Mason et al., 1985; Kim and In Kim & In Vogel, 2011).

Insufficient domestic savings posed an immediate limit to the fulfillment of PCH's administration industrialization goals, particularly considering that the heavy industry jump was a second major step towards economic independence, revealing South Korea's dependence on external capital. The solution pursued adopted two different strategic finance paths: 1- the primary inputs industry -fertilizers, oil refining, synthetic fibers, cement, and PVC - was to be developed through joint-venture arrangements with foreign capital, under strict nationalist parameters, attracted by cheap labor, tax exemptions and incentives associated with the repatriation of profits, and 2-the light consumer goods industries, related to foodstuff and textiles (including clothes), would be promoted with loan financing from the United States (Van Tho, 1988).

The plan set a 7.1% growth target, criticized by the United States Department of State, which deemed it unattainable. However, it surpassed the target with an average growth rate of 7.8% (TABLE 5) and an average export growth of 8%. However, the development of import-substitution industries harmed the balance of payments and the foreign debt balance (TABLE 6) due to the increasing necessity of imports of capital goods and raw materials. Thus, rapid economic growth accompanied a growing dependence on foreign capital.

TABLE 5: Comparisons of planned Targets and performance (1962-1981) (unit real annual growth rate; %).

| | The First Plan (1962-1966) | | The Second Plan (1967-1971) | | The Third Plan (1972-1976) | | The Fourth Plan (1977-1981) | |
|-------------------------------|-------------------------------|--------|--------------------------------|--------|-------------------------------|--------|--------------------------------|--------|
| | Planned | Actual | Planned | Actual | Planned | Actual | Planned | Actual |
| GNP | 7.1 | 7.8 | 7.0 | 9.7 | 8.6 | 10.1 | 9.2 | 5.5 |
| Agro-Forestry and Fishery | 5.7 | 5.8 | 5.0 | 1.5 | 4.5 | 6.1 | 4.0 | 0.1 |
| Mining and Manufacturing | 15.0 | 14.3 | 10.7 | 19.9 | 13.0 | 13.0 | 14.2 | 9.7 |
| Manufacturing Alone | 15.0 | 15.0 | - | 21.8 | 13.3 | 18.7 | 14.3 | 9.9 |
| Social Overhead and Others | 5.4 | 8.4 | 8.8 | 12.8 | 8.5 | 8.5 | 7.8 | 5.2 |
| Population | 2.8 | 2.7 | 2.2 | 2.2 | 1.55 | 1.7 | 1.8 | 1.8 |
| Per Capita GNP | 4.2 | 5.0 | 4.7 | 7.3 | 7.0 | 8.2 | 7.5 | 3.9 |
| Fixed Investment | 14.8 | 25.7 | 10.2 | 17.9 | 7.8 | 11.1 | 7.7 | 9.9 |
| Export of Commodities | 28.0 | 38.5 | 17.1 | 33.8 | 22.7 | 32.7 | 16.0 | 12.0 |
| Import of Commodities | 8.7 | 18.7 | 6.5 | 25.8 | 13.7 | 12.8 | 12.0 | 10.8 |
| Employment | 4.7 | 3.2 | 3.3 | 3.8 | 2.9 | 4.5 | 3.2 | 2.3 |

SOURCE: Economic Planning Board.

TABLE 6: External Indicators (medium values).

| | 1ST PLAN 1962-66 | 2ND PLAN 1967-71 | 3RD PLAN 1972-76 | 4TH PLAN 1977-81 |
|----------------------------------|---------------------|---------------------|---------------------|---------------------|
| Commercial Balance (USD Billion) | | | | |
| Export | 0.2 | 0.7 | 4.5 | 15.1 |
| Import | 0.5 | 1.6 | 5.5 | 18.0 |
| External Aperture (GNP %) | 24.7 | 40.4 | 63.3 | 76.4 |
| Export | 8.0 | 15.1 | 28.3 | 35.4 |
| Import | 16.7 | 25.3 | 35.0 | 41.0 |
| External Debt (USD Billion) | 0.2 | 1.8 | 6.6 | 21.5 |

SOURCE: Economic Planning Board (EPB); Federation of Korean Industries (FIK) in Dall'Acqua, 1991. (Adapted by the author).

Relevant to mention is that the government monitored the attainment of the plan's targets through weekly progress reports from the projects and planning and control groups were set up to independently draft quarterly reports on the project's implementation, forwarded to the EPB (Haggard, Kim and Moon, 1991; Jones and Sakong, 1985; Mason et al., 1985; Kim and In Kim & In Vogel, 2011).

4.1.5.2.1. Domestic politics and foreign economic policy in the construction of the developmental state

Whereas it may sound strange that the US raised no obstacles to establish a government composed of military coup rebels, this was indeed the case. The American acceptance of the coup-issued military government lies in the acknowledgment that the previous Rhee administration was hindered due to its corrupt environment, excessive agency to diverge from the American industrialization guidance, and the coup government's expressed commitment to hold free democratic elections as soon as possible (Kim, 1964; Kim and In Kim & In Vogel, 2011). Throughout 1961 and 1962, the Kennedy administration pressured the PCH military government to establish a civilian government considering the growing widespread dissatisfaction with the government's control by a military junta (Cumings, 2005). It was then agreed that presidential and legislative elections were scheduled for the second half of 1963. PCH and his party came out victorious on both fronts (Kim, 1964; In Kim & In Vogel, 2011).

Since his rise to democratic power, and even before during the military government, PCH was aware of the need to multiply South Korea's political and commercial partners. Pragmatically, given attracting productive investments and opening a market to South Korean

products and due to American pressure to steer close to American ISI guidelines, Japan was the chosen partner, despite the existing nationalist sentiment of the population against it. PCH reacted to this publicly in a speech made May 18, 1965, at the National Press Club in Washington DC:

All of you know well that Korea and Japan have been carrying on negotiations these last 14 years, and there is ample reason for that. Indeed, the difficulties lying in the way to a settlement may be greater than any others in international relations. As you are aware, several different views and opinions persist in Korea, including some extreme positions. I would not hesitate to express my indignation with Japan if you asked for my personal feelings about that country. Moreover, if you asked me whether I am pro-Japanese or anti-Japanese, I would choose the latter for my answer. Such a feeling is common to all Koreans. (Major Speeches by Park Chung Hee, 1970).

Full diplomatic and economic relations between South Korea and Japan were normalized after signing two treaties in 1965. One concerned the establishment of diplomatic representations and the sovereignty of disputed island territories, the other concerned pending property issues, general complaints, and economic cooperation. In the second treaty, compensation for Japanese occupation was agreed upon, totaling USD 800 million, of which USD300 million in direct aid and USD200 million in the form of subsidized interest loans. From the USD500 million, USD278 million were to be used to promote manufacturing, key for the development of South Korean developmental goals, of which USD119 million were allocated for the construction of the Pohang Iron and Steel Company (Posco), fully operational only in 1973. The remaining USD300 million were to be made as capital investments by Japanese private companies (Jones and Sakong, 1985; Mason et al., 1985; In Kim & In Vogel, 2011; Kim & Lee, 2010).

In the early 1960s, several attempts had been made to build a steel plant to provide the necessary inputs to the nascent national industry. Most of them were unsuccessful due to the lack of external financing, denied by the World Bank and the US Exports-Import Bank. Both deemed the project unfeasible. Thus, South Korea had to overcome two gaps to make this project feasible: financial resources and access to the necessary technology. It overcame them with the Japanese financing and technology acquired under this treaty (Kim & Lee, 2010).

4.1.5.2.2. The sprinter resilience for the long run

Ill-defined long-term objectives and learning-by-doing results laid bare inconsistencies between goals and methods in implementing the first five-year plan. Still, PCH did not pause the industrialization strategy, firming a commitment to the long-range goals. In the first plan, the

required technical knowledge and resources were poorly identified, designed, or dimensioned. Such was the case, for example, when in 1962, to promote the national automobile industry and at the same time reduce unemployment, the military junta passed the Law for the Protection of the Automobile Industry, prohibiting the import of finished vehicles or their components and signing a licensing agreement with the Japanese company Nissan for the benefit of Saenara Motors, a South Korean company created for this purpose. In the end, however, due to a lack of the necessary currency and the unwillingness of the Japanese government to finance the endeavor, the whole project had to be canceled (Green, 1992; Lee, 2011). Nevertheless, this initiative reflected PCH's government's view towards a commercial alliance with Japan, revealing this paradoxical relation's ambiguous and pragmatic nature.

Next, a monetary reform was implemented in June 1962, resulting in the extinction of the Hwane currency and the resumption of the Won, the national currency to this day. A more profound monetary reform was carried out in September 1965 with the aims of increasing the level of domestic savings and allowing the government access to resources to finance investments by raising the interest rate on deposits (Jones and Sakong, 1985; Mason et. al., 1985).

The plan achieved a significant social improvement by reducing the unemployed from 15.1% in 1962 to 7.7% in 1964. At least until the end of the 1990s, the country would never again experience an unemployment rate above 7%. Regardless of not substantially increasing investment rates, the First Plan considerably increased industry participation in the economy. In 1962, industry accounted for 16.6% of GDP, and by 1966 it had reached 20.1%, an increase of 21%. Investments were directed to consumer goods and light industries such as textiles and footwear, the most prominent exporting sectors in this phase, and the import substitution program, targeting the production of cement, oil refining, and fertilizers. A comparative view of the Plans' results is displayed in Table 7.

TABLE 7: South Korea's economic indicators (1953-1981).

| | | GDP SECTORAL COMPOSITION | | | | | | | | JOBS PER ECONOMIC SECTOR | | | | MANUFACTURE | | |
|-----------------|------|--------------------------|----------------------|----------------------|-----------------------|---------------------|------------------|------------------|--------------------|--------------------------|---------------|------------|----------------|-------------|-----------|-------------|
| | YEAR | INFLATION (%) | GDP REAL GROWTH RATE | INDUSTRY GROWTH RATE | MANUFACT. GROWTH RATE | AGRICULTURE (% GDP) | SERVICES (% GDP) | INDUSTRY (% GDP) | GOVERNMENT (% GDP) | AGRICULTURE % | MANUFACTURE % | SERVICES % | UNEMPLOYMENT % | LIGHT GDP % | HCI GDP % | TOTAL GDP % |
| POST-KOREAN WAR | 1953 | 53.1 | - | - | - | 47.3 | 29.7 | 10.0 | 11.8 | 60.6 | 5.0 | 25.4 | 8.4 | 7.1 | 1.9 | 9.0 |
| | 1954 | 36.0 | 5.6 | 11.5 | 18.1 | 40.3 | 30.4 | 12.5 | 15.9 | 57.9 | 5.2 | 28.1 | 8.2 | 9.3 | 2.5 | 11.8 |
| | 1955 | 69.9 | 4.5 | 19.9 | 21.3 | 44.8 | 27.4 | 12.3 | 14.3 | 59.5 | 5.4 | 23.6 | 10.8 | 9.3 | 2.3 | 11.6 |
| | 1956 | 31.7 | -1.3 | 13.6 | 15.2 | 47.2 | 25.8 | 12.5 | 13.6 | 62.1 | 5.6 | 22.0 | 9.9 | 9.3 | 2.3 | 11.6 |
| | 1957 | 16.2 | 7.6 | 9.9 | 7.1 | 45.2 | 26.3 | 12.5 | 15.3 | 60.2 | 5.8 | 22.1 | 11.0 | 9.0 | 2.2 | 11.2 |
| | 1958 | -6.3 | 5.5 | 9.1 | 10.3 | 41.2 | 27.2 | 14.2 | 16.7 | 55.7 | 6.0 | 24.6 | 12.5 | 10.1 | 2.7 | 12.8 |
| | 1959 | 2.4 | 3.9 | 10.0 | 9.2 | 34.7 | 29.8 | 15.7 | 19.1 | 48.6 | 6.2 | 27.9 | 16.2 | 11.1 | 3.0 | 14.1 |
| | 1960 | 10.7 | 1.2 | 10.9 | 8.2 | 36.8 | 29.2 | 15.7 | 17.5 | 51.1 | 6.4 | 26.3 | 15.1 | 10.6 | 3.2 | 13.8 |
| | 1961 | 13.3 | 5.9 | 4.4 | 4.0 | 40.2 | 27.2 | 15.3 | 16.4 | 54.8 | 6.6 | 23.8 | 13.2 | 10.0 | 3.8 | 13.8 |
| 1ST PLAN | 1962 | 9.4 | 2.1 | 13.4 | 11.7 | 36.6 | 29.0 | 16.6 | 16.9 | 50.8 | 6.8 | 25.5 | 15.1 | 10.3 | 4.1 | 14.4 |
| | 1963 | 20.5 | 9.1 | 14.2 | 16.1 | 42.2 | 26.8 | 16.6 | 13.7 | 56.7 | 7.0 | 23.2 | 11.8 | 10.3 | 4.4 | 14.7 |
| | 1964 | 34.7 | 9.7 | 10.5 | 9.9 | 45.9 | 24.3 | 17.6 | 11.4 | 57.2 | 7.5 | 27.0 | 7.7 | 10.9 | 4.7 | 15.6 |
| | 1965 | 10.0 | 5.7 | 18.3 | 20.5 | 38.4 | 28.7 | 19.7 | 12.3 | 54.3 | 8.7 | 28.8 | 7.4 | 12.3 | 5.7 | 18.0 |
| | 1966 | 11.8 | 12.2 | 15.3 | 17.3 | 35.4 | 30.4 | 20.1 | 12.8 | 53.8 | 9.1 | 29.1 | 7.1 | 12.3 | 6.3 | 18.6 |
| 2ND PLAN | 1967 | 10.5 | 5.9 | 20.2 | 21.6 | 31.4 | 32.8 | 20.4 | 13.7 | 51.8 | 11.0 | 30.0 | 6.2 | 12.5 | 6.6 | 19.1 |
| | 1968 | 10.7 | 11.3 | 23.4 | 27.2 | 28.5 | 33.7 | 21.8 | 14.5 | 49.8 | 12.1 | 31.8 | 5.1 | 12.4 | 7.6 | 20.0 |
| | 1969 | 11.8 | 13.8 | 19.2 | 21.6 | 28.7 | 34.4 | 21.9 | 13.7 | 48.9 | 12.4 | 32.7 | 4.8 | 12.7 | 7.6 | 20.3 |
| | 1970 | 16.3 | 8.8 | 19.6 | 19.9 | 28.0 | 35.5 | 22.3 | 14.2 | 48.2 | 12.6 | 33.6 | 4.5 | 12.8 | 8.2 | 21.0 |
| | 1971 | 13.2 | 8.5 | 16.4 | 18.6 | 26.8 | 37.9 | 22.2 | 13.2 | 48.3 | 12.6 | 35.7 | 4.5 | 12.6 | 8.5 | 21.1 |
| 3RD PLAN | 1972 | 11.7 | 4.8 | 12.1 | 14.0 | 26.4 | 37.9 | 23.2 | 12.9 | 48.3 | 13.1 | 33.6 | 4.5 | 14.0 | 8.2 | 22.2 |
| | 1973 | 3.3 | 12.8 | 28.5 | 29.5 | 24.7 | 39.0 | 25.9 | 11.1 | 48.0 | 15.3 | 32.3 | 4.0 | 14.7 | 10.2 | 24.9 |
| | 1974 | 24.7 | 8.1 | 16.0 | 17.2 | 24.8 | 38.6 | 26.6 | 10.9 | 46.2 | 16.7 | 32.6 | 4.1 | 12.9 | 12.8 | 25.7 |
| | 1975 | 24.9 | 6.6 | 12.4 | 12.4 | 24.9 | 37.8 | 28.0 | 10.9 | 44.0 | 17.8 | 33.6 | 4.1 | 13.5 | 12.4 | 25.9 |
| | 1976 | 15.4 | 11.8 | 21.3 | 23.5 | 23.8 | 36.6 | 28.8 | 11.4 | 42.9 | 20.5 | 32.2 | 3.9 | 13.9 | 13.5 | 27.4 |
| 4TH PLAN | 1977 | 10.2 | 10.3 | 15.4 | 15.3 | 23.0 | 37.6 | 28.4 | 11.6 | 40.2 | 20.8 | 34.4 | 3.8 | 13.0 | 13.8 | 26.8 |
| | 1978 | 14.4 | 9.4 | 20.8 | 22.2 | 21.9 | 39.2 | 28.4 | 11.0 | 37.2 | 21.6 | 37.2 | 3.2 | 12.5 | 14.2 | 26.7 |
| | 1979 | 18.2 | 7.1 | 9.1 | 10.1 | 20.5 | 41.0 | 28.0 | 11.5 | 34.4 | 22.0 | 39.0 | 3.8 | 12.4 | 15.1 | 27.5 |
| | 1980 | 28.8 | -2.7 | -1.7 | -1.6 | 16.3 | 43.7 | 30.2 | 12.9 | 32.2 | 20.6 | 41.1 | 5.2 | 13.1 | 15.1 | 28.2 |
| | 1981 | 21.5 | 6.2 | 9.5 | 10.1 | 17.9 | 41.8 | 31.0 | 13.0 | 32.7 | 19.5 | 42.5 | 4.5 | 13.0 | 15.5 | 28.5 |

| AGGLUTINATED DATA BY PLAN | | | | | | | | | | | | | | | | |
|--|--------------|------|-----|------|------|------|------|------|------|------|------|------|------|------|------|------|
| 1ST PLAN | 1962 to 1966 | 17.3 | 7.8 | 14.3 | 15.1 | 39.7 | 27.8 | 18.1 | 13.4 | 54.6 | 7.8 | 26.7 | 9.8 | 11.2 | 5.0 | 16.3 |
| 2ND PLAN | 1967 to 1971 | 12.5 | 9.7 | 19.8 | 21.8 | 28.7 | 34.9 | 21.7 | 13.9 | 49.0 | 12.1 | 32.8 | 5.0 | 12.6 | 7.7 | 20.3 |
| 3RD PLAN | 1972 to 1976 | 16.0 | 8.8 | 18.1 | 19.3 | 24.9 | 38.0 | 26.5 | 11.4 | 45.9 | 16.7 | 32.9 | 4.1 | 13.8 | 11.4 | 25.2 |
| 4TH PLAN | 1977 to 1981 | 18.6 | 6.1 | 10.6 | 11.2 | 19.9 | 40.7 | 29.2 | 12.0 | 35.3 | 20.9 | 38.8 | 4.1 | 12.8 | 14.7 | 27.5 |
| AGGLUTINATED DATA POST-KOREAN WAR DURING SYNGMAN RHEE PERIOD | | | | | | | | | | | | | | | | |
| | 1953 to 1960 | 26.7 | 3.9 | 12.1 | 12.8 | 42.2 | 28.2 | 13.2 | 15.5 | 57.0 | 5.7 | 25.0 | 11.5 | 9.5 | 2.5 | 12.0 |

SOURCE: Chung, 2007. Author's adaptation

The sound success of the first five-year plan, despite its methodological fragilities, partly due to the learning-by-doing implementation, alongside setbacks in the way, contributed to the electoral victory of PCH and his party in the 1967 presidential and legislative elections. Unlike the 1963 elections, in which PCH had the massive support of Southern rice producers, the loss of support from them in the 1967 elections vis-à-vis the support received from urban workers reflected the success of his government's industrialization orientation (In Kim & In Vogel, 2011; Jones and Sakong, 1985). Despite the apparent democratic environment, both governments were extremely authoritarian and conflictual in many ways (Kim, 1968; Jones and Sakong, 1985; Mason et al., 1985; In Kim & In Vogel, 2011).

PCH's administration, doggedly pursued the ambitious development goals throughout the implementation of all four developing plans under his government, facing conflicts along the way. PCH claimed euphemistically that these were no conflicts, but confusions, frictions, and troubles, as he stated in the Third ceremony of May 16 National Awards in 1968, showing off his belief in the country's economic future prosperity, which even foresaw a future unification of North and South Korea:

(...) We have made great progress despite confusions, frictions, and troubles with the lapse of seven years since May 16, 1961. Now we are changing ourselves into a new shape. By turning the history of poverty into a history of prosperity, the history of dependence into a history of Independence, and by creating a bridge to escape from our suffering toward a big leap forward, we have now attracted concern and attention from all over the world. Shortly, we shall soon reach the ability to accomplish the task of unification with our power. (Major Speeches by Park Chung Hee, 1970).

4.1.5.3. The second five-year economic development plan (1967-1971)

Ohno (1998) suggests that dependence on foreign capital led PCH's administration to gradually adjust the second five-year development plan (1967-71), leaving behind the import-substitution industry agenda to focus on heavy industry. However, this is partially correct. The second five-year plan was implemented under ISI's general guidance, but at the same time, it was entirely reoriented onto an EOI type (Jones and Sakong, 1985; Mason et al., 1985; In Kim & In Vogel, 2011). Ohno (1998)'s statement is ambiguous as it may pass the mistaken idea that dependence on foreign capital was a contingent factor, which it was not.

The emphasis on ISI was partially shifted to EOI in two industrial sectors. First, export of light manufactures, part of a strategy for promoting exports based on labor-intensive industries, was an option coherent with the availability of domestic resources, characterized by an

abundant, disciplined, and reasonably educated workforce (Ohno, 1988). To that end, specific laws were passed, such as the Textile Industry Modernization Act, 1967, and the Electronic Industry Promotion Act, 1969 (Kim and Koh, 2010). Second, in the heavy industry. Together, light industries and heavy industries put in motion a coherent EOI model due to the need to increase exports, expected to mitigate the external imbalance and push the nation towards independence (Dall'Acqua, 1991).

In practice, the government increased financial support for export industries and adopted a flexible exchange rate system, which allowed a reasonable fluctuation in the real exchange rate (Kreuger, 1979, Frank, Kim and Westphal, 1975). The establishment of the heavy and chemical industry also required some institutional upgrading. Several sector-specific laws were passed, such as the Machinery Industry Promotion Act in 1967, the Naval Industry Promotion Act in 1967, the Steel Industry Promotion Act in 1969, the Law on Promotion of Petrochemical Industry in 1970, and the Non-Ferrous Metals Companies Act in 1971 (Kim and Koh, 2010).

The promotion of exports and the discretionary liberalization to favor specific industrial sectors fostered the adoption of new trade policies, such as the opening of free zones for export, with tax incentives and benefits and the possibility of selling to the domestic market. The Masan free zone was announced in 1969 and put into operation in 1971, and a smaller one in Iri, with intense participation of Japanese companies.⁸⁵ As a result, the average growth rate jumped to around 10% per year, driven by exports, which doubled its percentage share in GDP over the average verified in the first five-year plan (TABLE 9 above).

However, the gradual reorientation towards the EOI model did not stop the deterioration of the foreign account balance because the industrial expansion depended on imported raw materials, machinery, and equipment. Imports grew faster than exports, reaching an average of 25.3% of GDP while exports were 15.1%. Consequently, the external debt rose proportionally over GDP in the same period (TABLE 9 above). Moreover, the US protectionist decision on August 15, 1971, to temporarily suspend the conversion of the dollar into gold, keeping the other currencies tied to the US dollar and valuing them for the benefit of American companies, negatively impacted South Korean exports to the United States (Jones and Sakong, 1985; Mason et al., 1985; In Kim & In Vogel, 2011).

The April 1971 elections were a tough test for PCH. They proved that he had lost his "political appeal" despite the success of the second five-year plan, roughly winning by a slim 8%

⁸⁵ Of the companies installed, 65% were Japanese and 23% Korean Japanese ventures (Kim & Koh, 2010).

margin and under suspicion of having bought votes (In Kim & In Vogel, 2011; Kim & Koh, 2010; Jones and Sakong, 1985; Mason et al., 1985; Kim and Vogel, 2011). This may appear paradoxical because, aside from the growing foreign debt (TABLE 8), the economy experienced promising results: GNP per capita was on the upswing (TABLE 9), people's living perspectives concerning education, health, and jobs, and inequality decreased, yet marginally (TABLES 8, 9, FIGURE 4, TABLE 10). The results of legislative elections, with all other indicators being positive, may reflect the inequality trend, as PCH's Democratic-Republican party gathered just 47.77% of the votes against 44, 38% for the New Democratic Party (Kim & Koh, 2010). Intriguing, the roughly stagnated inequality rate has been a persistent indicator since then. Even with the wealthy situation faced by the South Korean nation with the years passing, with, in general, its population being fostered toward a middle-income status decade after decade from the 1960s to the 1990s, and toward a high one from the 1990s onwards, all indicators but that signal this increasing living conditions.

TABLE 8: South Korea GDP growth and foreign indicators per Plans (1962-1981).

| | | 1ST FIVE-YEAR PLAN <i>(1962-1966)</i> | 2ND FIVE-YEAR PLAN <i>(1967-1971)</i> | 3RD FIVE-YEAR PLAN <i>(1972-1976)</i> | 4TH FIVE YEAR PLAN <i>(1977-1981)</i> |
|------------------------------------|--------|---|---|---|---|
| ANNUAL GROWTH (%) | | 8.5 | 9.7 | 10.1 | 5.5 |
| TRADE BALANCE (USD BILLION) | Export | 0.2 | 0.7 | 4.5 | 15.1 |
| | Import | 0.5 | 1.6 | 5.5 | 18.0 |
| EXTERNAL OPENING (% GDP) | | 24.7 | 40.4 | 63.3 | 76.4 |
| Export | | 8.0 | 15.1 | 28.3 | 35.4 |
| Import | | 16.7 | 25.3 | 35.0 | 41.0 |
| FOREIGN DEBT (USD BILLION) | | 0.2 | 1.8 | 6.6 | 21.5 |

SOURCE: Dall'Aqua, 1991. Available at:

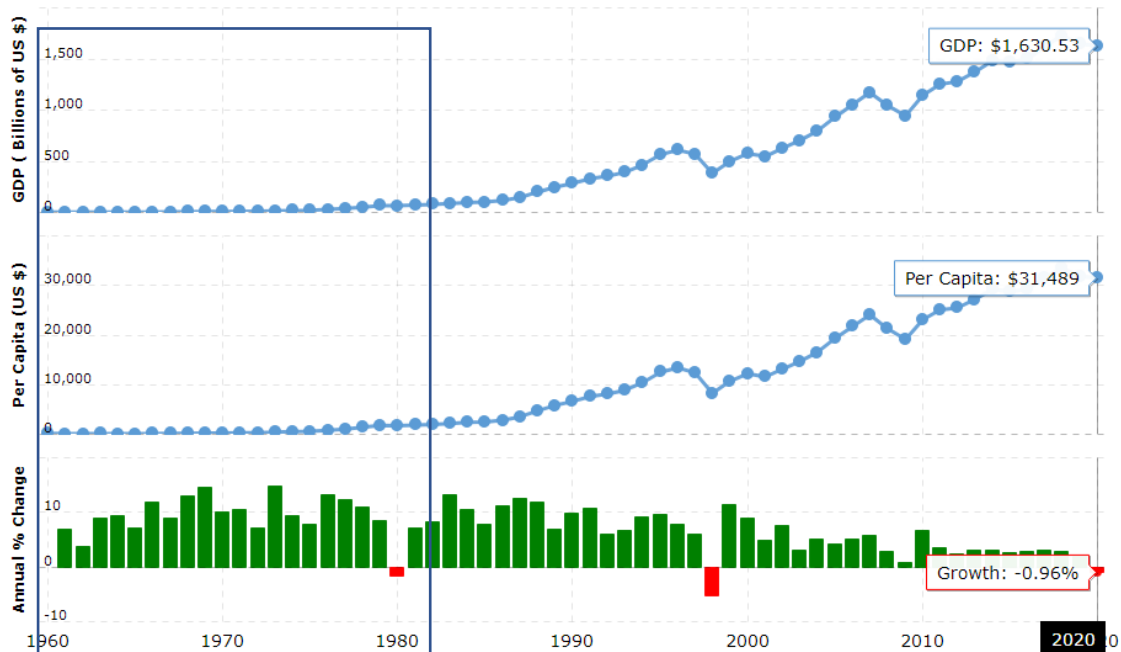
<https://repositorio.ufu.br/bitstream/123456789/28549/4/Padr%C3%B5esIndustrializa%C3%A7%C3%A3oP%C3%B3s.pdf> in PADRÕES DE INDUSTRIALIZAÇÃO PÓS II GUERRA MUNDIAL: UMA ANÁLISE COMPARADA ENTRE BRASIL E COREIA DO SUL, LUCAS SHIMADA SOARES, Monograph presented to the Instituto de Economia e Relações Internacionais da Universidade Federal de Uberlândia in 2019. (Author's adaptation).

TABLE 9: South Korea GNP per capita and Annual Growth Rate (%)

| YEAR | GDP PER CAPITA (USD) | ANNUAL GROWTH RATE (%) |
|------|----------------------|------------------------|
| 1980 | 1,715 | -3.82% |
| 1979 | 1,784 | 26.87% |
| 1978 | 1,406 | 33.14% |
| 1977 | 1,056 | 26.58% |
| 1976 | 834 | 35.09% |
| 1975 | 617 | 9.60% |
| 1974 | 563 | 38.45% |
| 1973 | 407 | 25.51% |
| 1972 | 324 | 7.64% |
| 1971 | 301 | 7.83% |
| 1970 | 279 | 14.74% |
| 1969 | 243 | 22.67% |
| 1968 | 198 | 23.13% |
| 1967 | 161 | 20.74% |
| 1966 | 133 | 22.77% |
| 1965 | 109 | -12.04% |
| 1964 | 124 | -15.52% |
| 1963 | 146 | 37.84% |
| 1962 | 106 | 13.13% |
| 1961 | 94 | -40.71% |
| 1960 | 158 | -40.71% |

SOURCE: <https://www.macrotrends.net/countries/KOR/south-korea/gdp-per-capita>

FIGURE 4: South Korea comparative GDP, GDP per capita, and annual growth (%) 1962-2020.



SOURCE: <https://www.macrotrends.net/countries/KOR/south-korea/gdp-gross-domestic-product>

TABLE 10: Historical trends of Korea's income distribution measured by the Gini coefficient.

| Year | Choo (1992) | Ahn (1992,1995) | Whang & Lee (1996) | FIES (NSO) | Yoo (1998) |
|------|-------------|-----------------|--------------------|------------|------------|
| 1965 | 0.3439 | 0.3365 | | | |
| 1966 | | 0.3287 | | | |
| 1967 | | 0.3647 | | | |
| 1968 | | 0.3458 | | | |
| 1969 | | 0.3464 | | | |
| 1970 | 0.3322 | 0.3125 | | | |
| 1971 | | 0.3074 | | | |
| 1972 | | 0.3121 | | | |
| 1973 | | 0.3676 | | | |
| 1974 | | 0.3823 | | | |
| 1975 | | 0.3769 | | | |
| 1976 | 0.3908 | 0.3899 | | | |
| 1977 | | 0.3780 | | | |
| 1978 | | 0.3699 | | | |
| 1979 | | 0.3752 | | | |
| 1980 | 0.3891 | 0.3567 | | 0.3065 | 0.366 |
| 1981 | | 0.3572 | | 0.3059 | |
| 1982 | 0.3574 | 0.3766 | 0.393 | 0.3092 | |
| 1983 | | 0.3736 | | 0.3094 | |
| 1984 | | 0.3804 | | 0.3111 | 0.351 |
| 1985 | 0.3449 | 0.3803 | 0.384 | 0.3115 | |
| 1986 | 0.3368 | 0.3771 | | 0.3069 | 0.340 |
| 1987 | | 0.3777 | | 0.3065 | |

SOURCE: FDI. Human Capital and Education in Developing Countries, Technical Meeting 13-14 December 2001, Paris Globalization and Income Inequality in Korea: An Overview by Seoghoon Kang, December 2001 organized by the OECD Development Centre. Available at: <https://www.oecd.org/dev/2698445.pdf> Accessed on 02/02/21

Table 10 shows the historical trends of Korea's income distribution measured by the Gini coefficient. Studies in income distribution should be based on accurate and reliable income and earnings-related microdata. In Korea, though some micro income data sets can be used for the study of household income and employees' earnings inequality, whether they are official or non-official, all of them had some deficiencies to fully reflect the inequality in Korea. There are different estimates and interpretations about what happened to inequality in Korea, depending on which data sources and estimation methods are used. From various studies summarized in Table 12, this study believes that inequality continued to decrease until the late 1990s. After the crisis, Korea's inequality sharply deteriorated. There are some controversies over changes in inequality during the late 1980s. In those periods, there were strong democratic movements both in political and economic senses (especially in labor movement), asset prices bubble in real estate and stocks, and increased supply of college in effect. Nevertheless, it has remained a

puzzle for many researchers, but this study believes that earnings inequality continued to decrease in these periods.

According to the estimation by Choo et al. in Ahn (1997), inequality of income distribution in Korea decreased in the latter part of the 1960s but increased in the mid-1970s. After that, income inequality decreased again and continued to decrease in the 1980s. Improvement of income distribution in the 1960s when the economic development drive was initiated does not fit with Kuznets's inverted-U hypothesis. Kuznets's hypothesis, however, is applicable in the 1970s and reached its peak in the mid-1970s (TABLE 11).

TABLE 11: Income distribution in South Korea by Choo et al. (Gini Coefficient)

| Year | National | Farm | Non-farm | Workers | Non-workers |
|------|----------|-------|----------|---------|-------------|
| 1965 | 0.344 | 0.285 | 0.417 | 0.399 | 0.384 |
| 1970 | 0.332 | 0.295 | 0.346 | 0.304 | 0.353 |
| 1976 | 0.391 | 0.327 | 0.412 | 0.355 | 0.449 |
| 1982 | 0.357 | 0.306 | 0.371 | 0.309 | 0.445 |
| 1986 | 0.337 | 0.297 | 0.342 | 0.319 | - |
| 1990 | 0.323 | 0.299 | 0.324 | 0.305 | - |

SOURCE: <http://www.jed.or.kr/full-text/22-2/Ahn.PDF> Journal of Economic Development Volume 22, Number 2, December 1997 27 Trends in and Determinants of Income Distribution in Korea*1 Kookshin Ahn**

Tables 12 and 13, and Figures 5 and 6, for comparative purposes, and Figure 7 help to build a better picture of poverty and inequality social issues in South Korea during this period. The question, however, remains open and requires further analysis.

TABLE 12: South Korea Poverty Ratio (%).

| Year | Poverty Ratio 1 | Poverty Ratio 2 |
|------|-----------------|-----------------|
| 1975 | 20.04 | 21.52 |
| 1976 | 20.39 | 19.62 |
| 1977 | 19.59 | 19.54 |
| 1978 | 17.91 | 17.49 |
| 1979 | 15.15 | 16.00 |
| 1980 | 14.45 | 15.25 |
| 1981 | 12.70 | 13.37 |
| 1982 | 14.80 | 20.42 |
| 1983 | 14.21 | 18.96 |
| 1984 | 14.26 | 18.88 |
| 1985 | 12.22 | 18.50 |
| 1986 | 11.82 | 16.51 |
| 1987 | 9.57 | 14.30 |
| 1988 | 10.47 | 15.46 |
| 1989 | 11.88 | 16.88 |
| 1990 | 10.48 | 15.74 |
| 1991 | 9.75 | 14.94 |
| 1992 | 9.36 | 8.81 |
| 1993 | 7.96 | 8.61 |
| 1994 | 6.90 | 8.15 |
| 1995 | 7.36 | 8.47 |

Note: Poverty ratio 1 is calculated based on urban household expenditures and poverty ratio 2 is inferred based on urban household income (Park and Kim, 1998).

SOURCE: <https://www.oecd.org/dev/2698445.pdf>

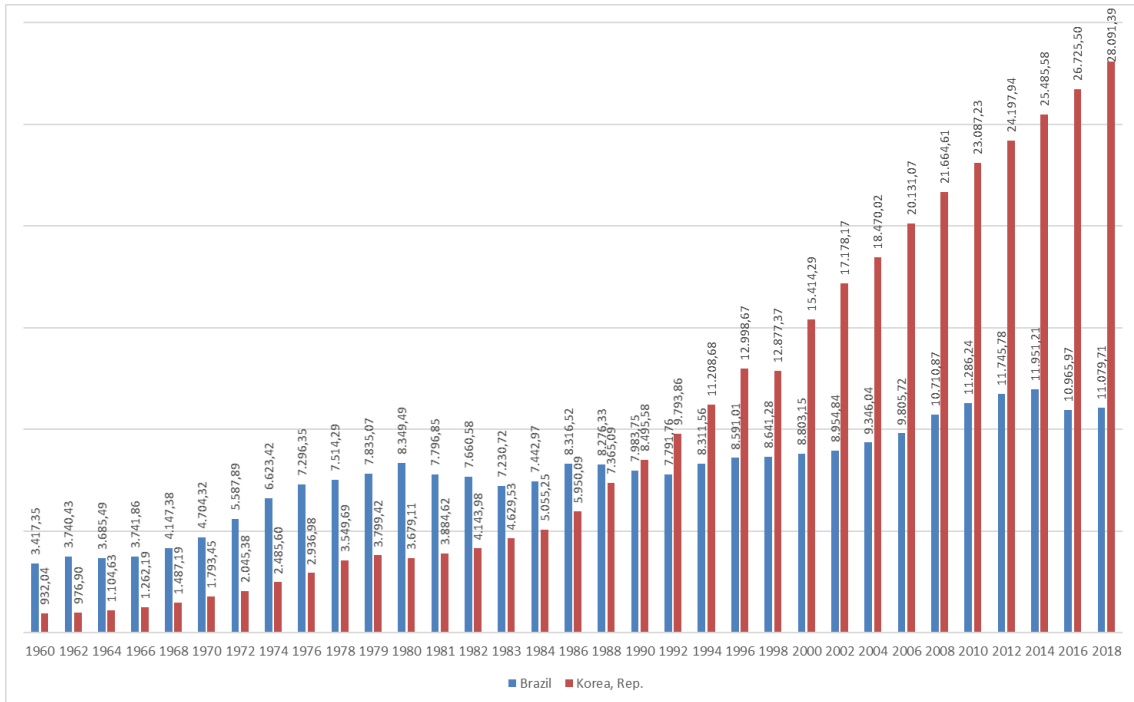
<https://documents1.worldbank.org/curated/en/307551468752966588/pdf/307810KOR0Poverty01see0also0307591.pdf>

TABLE 13: Income distribution in South Korea by Kim and Ahn (1987) (Gini Coefficient).

| Year | National | Farm & Fishery | Non-Farm, Non-Fishery |
|------|----------|----------------|-----------------------|
| 1965 | 0.3652 | 0.2060 | 0.4935 |
| 1966 | 0.3542 | 0.2079 | 0.4386 |
| 1967 | 0.3687 | 0.1935 | 0.4255 |
| 1968 | 0.3608 | 0.1924 | 0.4044 |
| 1969 | 0.3597 | 0.1957 | 0.4075 |
| 1970 | 0.3457 | 0.1941 | 0.3861 |
| 1971 | 0.3377 | 0.2141 | 0.3835 |
| 1972 | 0.3570 | 0.2195 | 0.4130 |
| 1973 | 0.3929 | 0.2145 | 0.4563 |
| 1974 | 0.3944 | 0.2170 | 0.4675 |
| 1975 | 0.3905 | 0.1940 | 0.4708 |
| 1976 | 0.4084 | 0.2171 | 0.4813 |
| 1977 | 0.3964 | 0.2079 | 0.4713 |
| 1978 | 0.3828 | 0.1783 | 0.4490 |
| 1979 | 0.3919 | 0.1586 | 0.4460 |
| 1980 | 0.3860 | 0.1455 | 0.4437 |
| 1981 | 0.3734 | 0.1438 | 0.4293 |
| 1982 | 0.4056 | 0.1522 | 0.4688 |
| 1983 | 0.4005 | 0.1300 | 0.4631 |
| 1984 | 0.3937 | 0.1275 | 0.4348 |
| 1985 | 0.4105 | 0.1211 | 0.4676 |

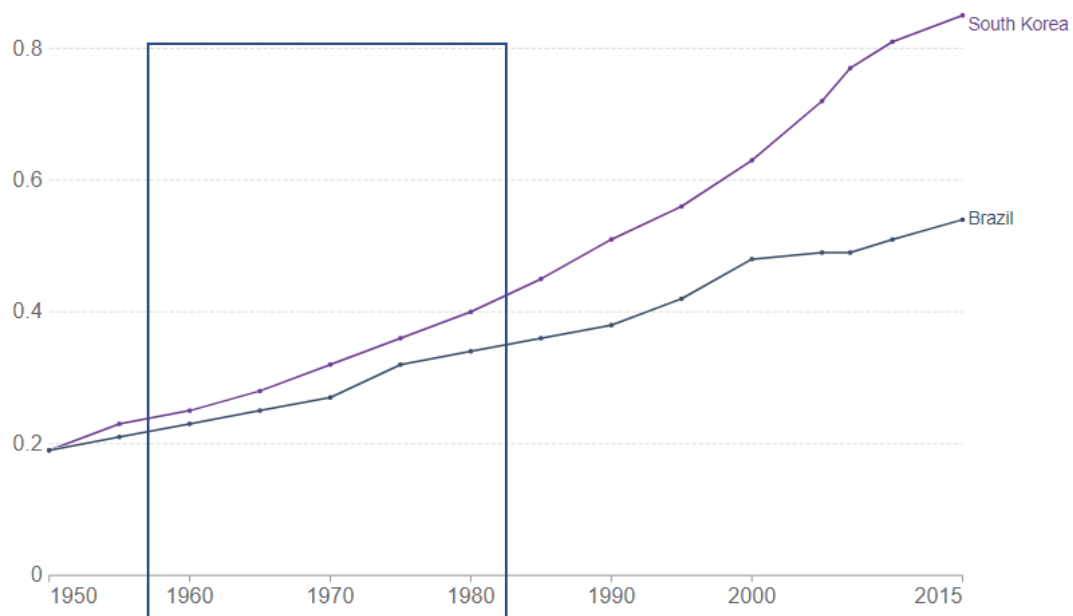
SOURCE: <http://www.jed.or.kr/full-text/22-2/Ahn.PDF> Journal of Economic Development Volume 22, Number 2, December 1997 27 Trends in and Determinants of Income Distribution in Korea*1 Kookshin Ahn**

FIGURE 5: GNP per capita 1960-2018. South Korea and Brazil.



SOURCE: <https://databank.worldbank.org/source/world-development-indicators#advancedDownloadOptions>

FIGURE 6: Human Development Index – Brazil and South Korea 1950-2015.

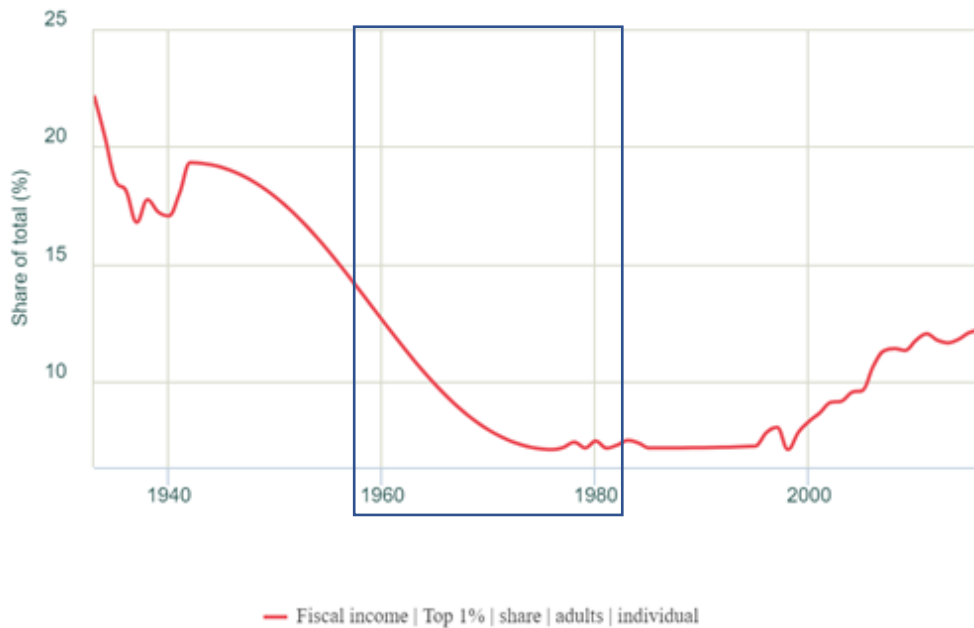


Note: The Historical Index of Human Development (HIHD) is a summary measure of average achievement in three key dimensions of human development: a long and healthy life, being knowledgeable, and having a decent standard of living.

SOURCES: <https://ourworldindata.org/human-development-index>

<https://databank.worldbank.org/source/world-development-indicators#advancedDownloadOptions>

FIGURE 7: Top 1% fiscal income share, South Korea, 1933-2016.



SOURCE: <https://wid.world/country/korea/>

4.1.5.3.1. *Hardening the regime*

Such a loss of political support incited PCH to suspend the Constitution and declare a state of war on October 17, 1972. The National Assembly was dissolved, and all political activities were banned. Then, in November of that same year, the Yushin Constitution was approved to establish an autocratic regime in South Korea (Jones and Sakong, 1985; Mason et al., 1985; In Kim & In Vogel, 2011).

In the previous period, from 1961 till late 1972, before the Yushin Constitution, South Korea did not resemble a Western liberal democracy and embraced its authoritarian character. The restriction of freedoms from the declaration of Martial Law in 1964 and renewed under the new charter typify its authoritarian nature.

Interestingly, as previously mentioned, PCH used to justify such strong law enforcement measures by disqualifying them, stressing the need to ensure the continuity of development, as stated in a speech to students on June 26, 1964, in the face of their protests concerning the Korean-Japan diplomatic normalization talks, shortly after declaring martial law:

I have exerted my utmost effort since my inauguration as president of the Third Republic to pave the way for the reconstruction and well-being of the nation – as I did during the revolutionary government. However, I regret that these efforts have not been fully satisfactory. In retrospect, I regret that the enforcement of too ambitious programs, which have tended to cause some public apathy, and that inexperience has caused unexpected results in some areas. (...) Various programs, to which I have devoted all my efforts, have

not always produced favorable results. (...) I have carried on the diplomatic normalization talks from my conviction that an early rapprochement with Japan is needed to cope with the rapidly changing international situation, to promote economic cooperation which would be conducive to the national interest, and to enhance our position in the international community. I have been dismayed -rather appalled – to hear the unexpected charges that ours is a weak-kneed or humiliating diplomacy, or to hear such accusations as that we had received advance payment for our property claims from Japan, which we had never dreamed of doing. Having already dedicated my life and soul to the country, what private motives and desires can there be left to me? My unintentional neglect to seek full public support, and my belief that others should have the same conviction as I do, hastened me to expedite normalization of diplomatic relations with Japan, which led to the March 24 student demonstrations. These demonstrations have continued intermittently for more than two months, their character changing gradually, finally erupting in riots on June 3. I strove to settle the situation without resorting to emergency measures, but the situation only grew worse, compelling me to declare martial law. (...) I am not denying the patriotic deeds of the students. But the demonstrations which we have seen on May 20 and June 3 cannot be interpreted as being patriotic. (...) Indeed such students have already been released. (...) But to make an example, I mean to punish those whose conduct besmirches the conduct of other students. Academic freedom must be preserved. It is basic that students should return to their original duty; but if they do not do so spontaneously, I believe that it is not altogether unnecessary to protect and regulate them through proper enactment of laws(...). (Major Speeches by Park Chung Hee, 1970).

Prior to the Yushin Constitution, most of the time, PCH's authoritarianism was exercised with subtleness, often following the dubious "discretionary-but-not-so-much" disciplinary mode exercised in state-business relations. However, beneath this seemingly smooth disciplinarian relationship business was aware of the force of government pressure to continue growing. So much so that the same reasoning applies to several other institutions, organizations, or entities. PCH's subtle, polite prodding, conveyed in his addresses and speeches, frequently couched on ethics, moral and nationalism, conveyed a far more dramatic and imperious appeal which can be observed on many occasions, as in that same 1964 address to students:

(...) Freedom of the press is more than a constitutional right; it is almost an inherent human right. Nevertheless, this freedom, like other freedoms, is not limitless. The constitution limits freedom of the press and speech to such an extent that they do not infringe on others' honor or rights and stay within the framework of public moral and social ethics. It specifies further that the basic rights of the people can be restricted, if necessary, for the benefit of maintaining peace and order and public welfare, by law (...).

Similarly, in another speech held on the 10th annual Newspaper Day on April 6, 1966, it is interesting to observe how PCH 'gently' points out the right way the press should behave concerning government topics and projects, reinforcing his delusional view that he was not a dictator, but rather those who preceded him:

There are no adequate words to praise the glorious achievements of our journalism, which, in a period of ordeals and sufferings caused by feudal bondage, alien rule and tyranny, showed the nation the path to survival, symbolized the will of our race, and presented its opinions while acting as the vanguard in our Independence battle and as the standard-bearer in the struggle for civil rights. These achievements saw their consummation when our journalism sublimated into the April 19 revolution – the peoples' antagonism against dictatorial rule. Unfortunately, however, corruption gradually crept into journalism in the wake of the student Revolution, when the freedom and dignity of the Korean press were at their height. Would-be newspapers and would-be journalists came out rapidly, posing great danger to true journalism in this country. (...). However, since our journalism had been incessantly subjected to oppression under feudal government, alien colonial rule, and one-man dictatorship, in which the freedom of the individuals was neglected; and since our journalism had not yet parted from the pre-modern pattern of newspaper enterprise, the press only emphasized its own freedom and autonomy while overlooking its responsibility and ethics. This is the very reason why the responsibility and ethics of the press constitute a serious task which much urgently be fulfilled. Our journalists are asked to consider carefully what social effects it would bring about if the press, due to its overemphasis on its own freedom, neglects its responsibility; and what results from the evil effects would produce in the long run. Now is the time for the press to refine this reckless attitude and, through resolute self-reflection, develop a constructive attitude with which to meet the demands of the new age and the new situation. (...) In seeking freedom and equality, progress and prosperity, the press should sacrifice its own interests and destiny for those of the nation and, through radical self-criticism of its basic posture, seek a new course of action to cope with the historical reality. (...). (Major Speeches by Park Chung Hee, 1970).

Again, in his speech to the 3rd annual Commerce-Industry Day on May 12, 1966, titled "Business Morals and economic Ethics," he stated:

On this occasion of the third anniversary of Commerce and Industry Day, I would like to stress, on the one hand the crucial mission and responsibility you leaders of four commerce and industry have taken upon yourself in our efforts to build a self-sufficient economy and, on the other, to call on your right righteous self-consciousness and fresh endeavors. My congratulations go to those of you who were cited as model businessmen and industrialists, and to all of you who, under the adverse economic conditions of the previous year, have done your utmost to increase production and promote exports, thus contributing to the over-fulfillment of the export target of \$180 million (...). Your continued firm sense of responsibility and establishment of healthier economic ethics have never been required more urgently than at this juncture when we have to expedite the

preparations for the formulation of the Second Five-Year Economic development plan to a successful end. The urgency of our need to achieve our supreme national goal of a self-sufficient economy through export is multiple and diverse (...). I think it very fortunate that you have formulated last year a business code of ethics in cognizance of our national mission in achieving our self-sufficient economy (...). In spite of the fact that's indeed such an active business climate is being built up, there are some who incur public ire by violating industrial patents, trademarks, and registered designs, evading taxes, smuggling and unlawful manufacturing, and who inflict loss not only on the consumer but also on the national economic life by monopolizing and holding commodities in short supply, by forming various illicit cartels among traders, and by manipulating Market prices through control of the natural flow of supply and demand (...). These are the results deriving from indiscretion on the part of some businessman who has lost sight of the ethical as well as the social nature of business (...). Our shortcut to the construction of a self-sufficient economy lies in the promotion of exports, and that goal depends on the strengthening of our international competitive ability for export (...). Strengthening of our international competitive ability through credibility of our goods is the historic mission and responsibility of our national reconstruction movement and is placed on the shoulders of the leaders of our business and industry. In conclusion, I must call on you again to exert yourselves more than in the previous year in fulfilling our current export target of \$250 million. (Major Speeches by Park Chung Hee, 1970).

His tone evolved into a more direct call following the promulgation of the 1972 chart and the disbandment of the Legislative. However, PCH still maintained that it was justifiable to oppress the people due to the need to achieve national development goals. Interestingly, in this speech, he ignores South Korea-US political compromise to restrain and keep the industrialization process bound to ISI parameters:

(...) Only with a strong foundation and a special bar will the nation develop and develop national power. Now is the time to strengthen the foundation of our country and cultivate national power. This is also the "basic direction of the Restorative Reform" that we will pursue in the future. Therefore, the "October Restoration Task" has started and what has been done so far is only one institutional reform to promote this strike in the future. "Rails" have been laid on the ground for the train to run. Reporter's demand information. Then, I will summarize and summarize the ideas on how we will reform in each field in the future by dividing each field into cherry blossoms. First, I would like to tell you what we are envisioning in terms of politics, "The basic direction is "to direct all our actions to production." Only in this way can national power be cultivated and organized. The same applies to politics, economy, society, culture, education, and all other fields. We must develop a political system that is more efficient than the one we have, without waste and directly connected to production. So far, one of the most contributing factors that hindered the development of national power, I confess, was due to the inefficient operation of our National Assembly by saying honestly at this place(...). (1973 Park Chung Hee Presidential Speeches, abridged from the original, p. 33).

Concerning the country's geopolitical strategy and the rise in international status South Korea aimed for shortly, PCH's administration argued that if it was to be effective in carving such a role, such strategy had to be regional and preferably under South Korea leadership, as revealed in the opening session of the Ministerial Meeting for Asian and Pacific Cooperation on June 14, 1966. The appeal of a communist threat, frequently used to bargain for US financial support, was used here to take advantage of Vietnam's degraded political situation as an ideological instrument to mobilize Asian and Pacific countries around the dual primary goal of achieving freedom and prosperity to launch them onto a progressive modern world. However, these two concepts were presented with nuances in PCH's speech. Freedom was not viewed as a value, relatively a concept which existence was conditioned to serve a common good, primarily, and to serve prosperity:

(...) The general area of the Asian and Pacific region is overshadowed by dark clouds of violence, which threatens man's life, freedom and prosperity. That violence is symbolized by Communist acts of aggression and subversion, which defy human reason and seek to undermine international order (...). The Communists (...) are engaged in a full-scale conspiracy to reduce Asia to Communist slavery. Therefore, it behooves the free people in the Asian and Pacific areas at this juncture to strengthen further the bonds of solidarity and cooperation among themselves. Just as many small streams meet and coalesce into an irresistible river which flows peacefully to the sea, so we, by uniting, may form a river of common thought and purpose which will flow peacefully between the rocks of fear and poverty, and in the end bring us to that era of peace, prosperity, and happiness which we all envision. The great task facing us is to bring order out of the chaotic Asian reality, and to create a new Asian order of peace, freedom, and prosperity, free from fear. Thus, we may pass on to succeeding generations a new and better Asia which will contribute to the peace and progress of the entire world. You have assembled here with a sense of mission (...). I feel strongly that the fact that you are here for that purpose is of great historical significance (...). Asia was the cradle of human civilization. Asia has more abundant natural resources than any other region in the world and possesses magnificent cultural and spiritual heritage. Yet, paradoxically, vast numbers of people here are still suffering from poverty, unemployment, disease, and illiteracy (...). The good people of Asia are no longer in a passive, dormant state (...). If we combine our strength, and cooperate with each other, no power on Earth can block our progress. With mutual trust, then, let us help each other, so that we may proceed smoothly and quickly toward our glorious future. Let us, as neighbors, build a great Asian and Pacific Community blessed with peace, freedom, and balanced prosperity, through concerted efforts, interchange, and cooperation in political, economic, social, cultural, technological, and other fields (...), which will bring about the

material and spiritual progress (...) our people's demand (...). "Well begun is half done" (...). (Major Speeches by Park Chung Hee, 1970).

In the economic realm, once the new chart legislative parameters were established, PCH's additional authoritarian powers allowed him to strengthen the EOI strategy to boost the heavy and chemical industries.⁸⁶ (Jones and Sakong, 1985; Mason et al., 1985; In Kim & In Vogel, 2011). The growing external imbalance and PCH's will to pursue the EOI path, aligned with the changes in the commercial competition from other East-Asian countries in the early 1970s, underscored the need to quickly implement the export orientation planned for over a decade (Dall'Acqua (1991).

4.1.5.4. The third five-year economic development plan (1972-1976)

Dall'Acqua (1991) suggests that the rise of China, the intensification of competition with Hong Kong, Taiwan, and Singapore, and the strengthening of tariff barriers by industrialized nations, were perceived as threats to South Korea's economic consolidation by PCH. So, the third five-year development plan (1972-76) strategic focus was on the development of the electronics industry, in addition to the heavy and chemical (HCI) industries (petrochemical, steel, iron, and non-ferrous metals). The goal was to reduce dependence on imported raw materials, machinery, and general equipment, restructuring the industrial composition in favor of more sophisticated products with higher added value.

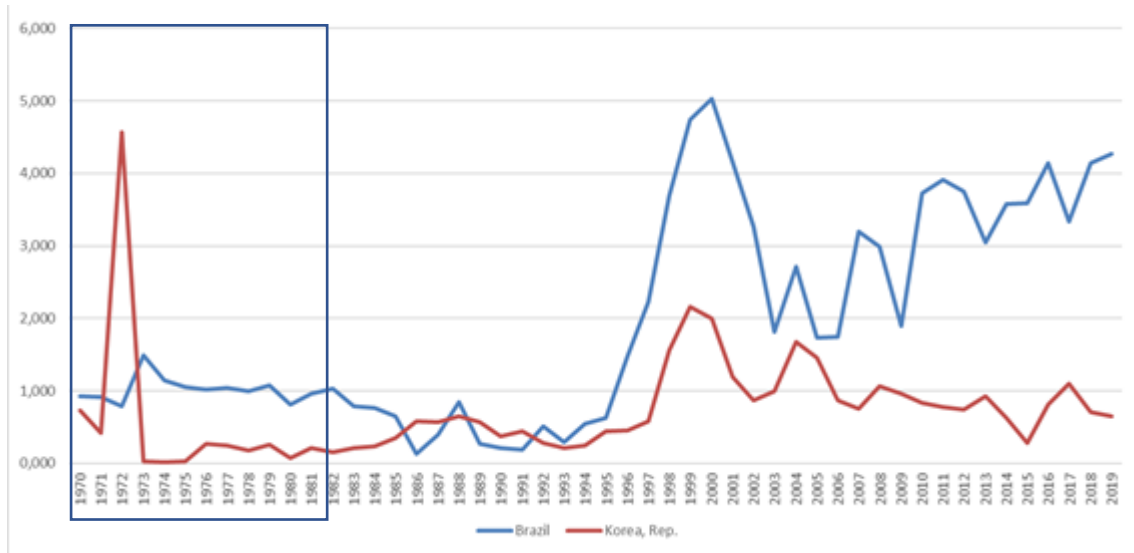
A significant criticism made by the US towards PCH's will to take industrialization further with a second step towards HCI, which risked compromising the original regional geopolitical design envisioned by the US after WWII, was related to the low absorption capacity for the heavy industry products locally and regionally, which already had Japan as the leading regional supplier. It seems, however, that Japan had other plans aimed at projecting itself beyond the regional US pre-determined sphere of influence. So much so that South Korea could make this next push assisted primarily by Japanese compensation funds. While the re-establishment of diplomatic relations between South Korea and Japan was critical for the US geopolitical regional agenda, this unexpected consequence was not.

However, contrary to the US expectations, the machinery, equipment, and chemical industries, expected initially to supply domestic demand, quickly turned to meet external demand as well. Dall'Acqua (1991), points out that these industries' share in total exports

⁸⁶ "(...) Under my government we will continue to lead a free economic system. Under my government we will keep on pursuing heavy and chemical industry (...)" (1973, Park Chung Hee Presidential Speeches, abridged from the original, free translation, p. 34)

increased from 14% in 1971 to 30% in 1976, boosting foreign trade, which accounted for about 60% of economic activity in the mid-1970s. By then, South Korea's industrial structure finally exhibited a clear EOI profile to make the country less dependent on foreign savings (FIGURE 8).

FIGURE 8: South Korea and Brazil: the export-led orientation vis-à-vis dependence on foreign savings.



SOURCE: <http://databank.worldbank.org/source/world-development-indicators#advancedDownloadOptions>

As can be observed in TABLE 6 (External Indicators (medium values) above, exports jumped from an annual average of USD 0.7 billion between 1967-71 to USD 4.5 billion between 1972-76, although still unable to deal with the persistent negative balance of payments, with the trade deficit practically doubling from one period to the next. Dall’Acqua (1991) points out that this increase in imports was due, in part, to the explosion of oil prices in 1973 and a continuing need for imports of raw materials, machinery, and equipment, despite the import substitution effort carried out by PCH’s administration in the heavy and chemical industries. The imported component share in exports increased, hinting that the role reserved for South Korea in the international division of production, unless an industrialization profile booster was soon triggered, would be that of subcontract exporting country.⁸⁷

The rise of the prices was not a new problem to PCH, who, in his speech at that New Year’s conference on January 12, 1973, expressed concerns about how the accelerating inflation rate⁸⁸

⁸⁷ A subcontract exporting country is characterized as an economy based on selling products only partially processed internally.

⁸⁸ 소 국가들은 오늘날과 같이 국제 정세가 저용하고 클면하는 속에서, 그들 스스로의 생존과 독립과 평화를 추구하고 또 그들 스스로의 진로를 개 외해 나가는 때 있어서는, f 그들 민족 스스로의 슬기 통교도 현명한

could hinder sustained growth. On that occasion, he announced that the Heavy Industrialization and Chemicals Plan had achieved USD 10 billion in exports in the early 1960s (Jones and Sakong, 1985), in which the HCI would participate with more than 50%. The goals were ambitious, and PCH did not shy away from calling for Korean nationalism to mobilizing citizen collaboration: "If

판단과 처 설이 있어야 한다는 문제를 우리는 생과하게됩니다. 우리 나라 속담에 r 업에게 물려 가며라도 정신 만 자리면 산다는 말이 있습니다. 국제 정세가 아무리 급연한다하더라도 그 민족이 정신 만 특 바로 차리고 단 결을하고 그들 스스로의 힘으로써 활료를 개쳐 해 나가 카겠다하는 강인한 의지와 노력 만 있다면 그 민족은 절대로 걱정할 필요가 없습니다. 지구가 하루에 한 바퀴를 돈다고하는데, 24 시간 동안에 지구가 두 바퀴, 세 바퀴를 돈다고하며 다도 정신 만 특 바로 차리고 있으면 조금도 걱정이 없다. 이것은 한 민족이 생존 해 나가는 데있어서의 민족 생존의 불면의 철칙 이요, 또한 철리하고 나는 생과합니다. 그 다음에는 지난 1 년 동안 우리 국내에서 일어났던 여러 가지 일들을 한번 회고 해 보 겠습니다. 국내에서도 많은 변화가 있었 습니다. 아직도 우리 거역에 생생한 것은, 7.4 남북 공동 성명」 이라든지, 또는 r8-3 긴급 조치」. 「10.17 특별 선언」 에 따르는 「10 월 유신」, 「유센 헌법」의 확정 공포와 [계 4 공화국」의 출범 등 이런 변화는 우리 나라 역사에 새로운 장이 될만한 중요한 사건들이라고 생 과합니다. 우선 「8. 3 조치」 부터 말씀 드린다면, 이 r8.3 조치」 는 우리 나라의 경제 안 정을위한 문자 그대로 긴급 조치였던 것입니다. 해방 후 지난 27 년 동안 우리 나라의 경제 성장을 저해하는 하나의 고질적 인 병이 있었 습니다. 그것이 바로 [인플레 j라는 병입니다. 지난 1.2 차 경제 개발 5 개년 계획에서 우리 나라는 많은 성장을 했지 마는, 그러나이 과정에 있어서도이 「인물 레 J라는 병은 완 건히 고쳐지지 않았던 것입니다. -27-

있,을위한 세상 스」 다고 볼 수가 있습니다. 44x4 서 히 노력 만한다면, 남부 럽게 얇게 얼마든지 장 44과 능력을 갖추고있는 우수한 민족이다하는 가신을 비 마시 인체 에다 비할 것 같으면 인체 4에 최중이나 r 이스 토마」 같은 것이도 사라고있어서, 아무리 영양을 섭취하고 좋은 것을 먹 머라도 발육을 저해하는 것과 같이,이 「인클레 J라는 것이 그래로 존속해서는 경제가 전진 한 발전을 할 수 없다. 따라서,이 병을 어떻게 하든지 고쳐 야 되겠다. 「인플레」의 악순환을 단절해야 되겠다. 그렇게해야만 우리 나라의 물가가 안정되고, 환율이 안정되고, 또한 국민 경제의 전반적인 안정을 가져 와서 고도 성장을 지속 할 수 있는 것입니다.이 인플레」의 악 순환은 물가와 노임을 오르게하고, 노임이 오르면 그것이 상품의 「코스트」에 영향을 미쳐서 또 불가가 오르고, 불가가 오르면 환율이 혼 들리고, 환율이 혼 들리면 또 물가가 들먹 거리고, 이러한 악순환을 우리는 지난 4 반세기 동안 계속 되물 이해 왔던 것입니다. 나는 정부에 들어 와서 그 동안 어떻게하면이 병을 고칠 수 있는가하고여 어 가지 고 싶을 해 왔 습니다. 여러 전문가들의 의 전도 많이 듣고 검토도 많이 해 본 결과, 상당한 부작용이 있으리라고하는 것을 예측하면서도,이 [인플레」의 악순환을 단절하는 메 있어서는 어떠한 「비상 조치」를 취하지 않고서는 안 되겠다. 나는 그러한 판단 하세 (8. 3 긴급 조치」를 단행했던 것입니다. [8-3 포치」에 대해서, 일부 국민들 중에는 여러 가지 비난과 불평이 많았다는 것도 나는 잘 듣고 있습니다. 이것은 정부가 우리 나라의 일후 기업가들만 살려주고, 영세 사채 권자들을 희생시키는 정책이 아니냐?하는 비난이 많았 습니다. 그러나 그 조회가 끝난 후 5 개월이 지난 지금에 와서는,이 r8.3 조치」가 크 우리 나라의 몇몇 기업이 물만을 위해서 취한 조치가 아니었다,이 조치로이 살아 우리 나라의 불가가 안정되고 환율이 안정되고 경제의 전반적인 안 정을 가져 와서, 결국은 전체 국민들이 신 질적 인 혜택을받는 결과가되었다 하 것을 정차 우리 약민들이 알게 되었으리라 고 나는 생과합니다. 10-5 a: 세 지난 5 개월 동안 작년 연말까지의 통계를 보면, 물가는. (1973 Park Chung Hee Presidential Speeches, P. 27 and 28).

In today's international situation, small countries seek their survival, expertise, and peace and, in doing so, change their path. We think that a burning door requires judgment and action (...). In the past 27 years after liberation, there has been constant blindness that has hindered the growth of our country. This is the "inflation" disease (...), (and) in this process (of economic growth), the disease called inflation has not been completely cured. (...) Therefore, I will have to cure this disease anyway. We must break the vicious cycle of "inflation." Only then will inflation in our country be stabilized, the exchange rate stabilized, and the overall stability of the national economy, so that the rapid growth can be sustained. (...) I have been in the government and have been wondering how to cure this disease. As a result of hearing and reviewing a lot from various experts, it is predicted that there will be considerable side effects, but to break the vicious circle of this [inflation], it is necessary to take some "emergency measures." (...)It is also well understood that there were many criticisms and complaints among some people (...). "Isn't it a policy to save only entrepreneurs(...)?" (...) It was not a measure taken solely for entrepreneurship (...) (1973 Park Chung Hee Presidential Speeches, P. 27 and 28) Free translation.

the Japanese did it, the Koreans could do it too.”⁸⁹ PCH's worries were not on inflation per se but rather its impact on the upgrading industrialization ahead.

4.1.5.5. The fourth five-year economic development plan (1977-1981)

The fourth five-year plan (1977-1981) aimed to fulfill this task by fostering the electronic sector next to previous ones. However, from the new constitutional chart in 1972 onwards, the political environment deteriorated rapidly, bringing the administration a bad feeling that it was running out of time to implement the changes.⁹⁰

Despite the repression of the Yushin regime, the period comprising the third and fourth five-year plan became known for its industrialization impulse. However, the persistent imbalance in the export-import account and the need for continued and growing external funding for industrialization kept inflation rates rising, reminding the PCH government of the pressing need to cope with this threat. The solution in PCH's administration view remained in the future and would be achieved by jumps in industrialization.

In the end, the new constitutional chart gave PCH's administration absolute political power over the country's industrialization path, reflected in specific sectors such as an automobile. In March 1973, a Long-Term Plan for the Promotion of the Automotive Industry was announced. In September of the same year, despite the oil crises, the administration enacted it as a central directive, erasing the essential 1969 Promotion Plan provision that selected the Sinjin company to develop domestic engines through a technology transfer joint venture with the North American General Motors. The 1973 plan substantially favored assistance to Hyundai for the vertical development of automotive production, materialized in the Hyundai Pony. By 1979, the car became the fourth economic development plan's symbol, and, regardless of having captured 51% of the domestic market, it did not perform well abroad due to its low quality. Nevertheless, the South Korean auto industry would become a valuable national asset (Green, 1992; lee, 2011).

⁸⁹ This was a customary PCH saying. (Author's note)

⁹⁰ According to Vogel (2013), in the years following the promulgation of the new chart, protests of the regime escalated. On January 8, 1974, the government issued decrees number 1 and number 2, prohibiting criticism against the constitution and government protests. The importance of student protests was evident in decrees number 4 of April 1974, which specifically banned student organizations and number 7 of 1975 that shut down the University of Korea. The apex of the authoritarian escalate came with decree number 9 of May 1975, which prohibited any form of criticism of the government. Students, Unions, and Christians, Catholic and Protestant, led protests against PCH's authoritarian regime. However, the protests dwindled after the brutal implementation of decree number 9 by the KCIA, with the use of torture and kidnappings, when necessary, to suppress protests.

The Fourth Five-Year Plan was the only one of the four five-year plans under PCH's administration that did not achieve the projected economic growth targets. It was also the most ambitious plan of all four. From a planned 9.2% average annual growth, it reached 5.5%. The failure was due primarily to the consequences of the 1979 second oil crisis, which undermined the already fragile situation of South Korean external accounts. The oil price pressure and the country's oil dependence led to the country's external debt beyond 40% of GDP. 1980 saw the first drop in GDP since 1956: 2.7% over 1979. In 1980, inflation skyrocketed to - the highest since 1964 (See TABLE 2: South Korea inflation rate 1960-1980).

The Fourth Plan emphasized social aspects, and it was officially termed the "Five Year Socioeconomic Plan." It also had a change in goals. It gave greater importance to qualitative aspects of production than quantitative ones; that is, less emphasis on scale and more on efficiency, cost, and product quality (In Kim & In Vogel, 2011). Like the Third Five-Year Plan in terms of methodology and formulation procedures, the Fourth Five-year plan adopted decentralized policy planning. Further, its elaboration became more democratic and complex. There were twenty-five working groups, each headed by a government official from a concerned ministry. Each group consisted of government officials of relevant ministries and experts from research institutes, such as the Korea Development Institute (KDI), banks, industries, business associations, and universities representatives. EPB officials acted as secretaries to each team. The working group's task was to develop detailed plans according to the guidelines elaborated by EPB. The Fourth Five-Year Plan again used foreign consultants in twelve specific areas hired using UNDP funds and the World Bank intermediation (Jones and Sakong, 1985; Mason et al., 1985; In Kim & In Vogel, 2011).

Nevertheless, 1979 was not just a year of an economic crisis in South Korea. It was also a year of political crisis with the assassination of PCH. After the assassination, Prime Minister Choi Kyu-ha initially took over as president. However, a few months later, in September 1980, General Chun Doo-hwan took power and enacted martial law. Social movements protests calling for the restoration of democracy were sternly suppressed. Chun extinguished existing political parties, including PCH's former party - the Democratic-Republican Party - and created the Democratic Justice Party. Chun tried to project an image of a champion of social justice, targeting the reduction of economic inequalities and the power of the chaebol. However, this is another story, another period.

4.1.6. Balance of the period and an intriguing question

An overall view of South Korea's leading economic indicators demonstrates its remarkable performance from 1961 to 1991. The average real GDP growth was 8.4% per year (See TABLE 10: South Korea GNP per capita and Annual Growth Rate (%)), against 3.9% between 1953 and 1960 (Jones and Sakong, 1985; Mason et al.; In Kim & In Vogel, 2011). The unemployment rate fell significantly: according to OECD,⁹¹ rapid economic growth reduced the unemployment rate in Korea from 8% in the early 1960s to roughly 2-4% from around the late-1980s to the present day (except for a brief spike that reached 7% at the height of the Asian Economic Crisis). The average between 1961 and 1991 was 5.2% against 11.5% between 1953 and 1960. Between 1972, when the government started its third development plan for the chemical and heavy industry, and 1991 the average annual unemployment rate was only 3.7%. In per capita terms, the South Korean GDP, corresponding to 10.84% of the North American GDP in 1961, reached 40.42% in 1991 (Jones and Sakong, 1985; Mason et al., In Kim & In Vogel, 2011).

The current accounts balance by five-year plan reveals that in the first plan (1962-1966), the deficit was, on average, 2.2% of GDP per year. The second plan (1967-1971) had the highest average deficit of 7.4% GDP per year. In the following plans, the deficit was reduced to 5.2 and 5.6% on average in the third (1972-1976) and fourth plan (1977-1981), respectively (TABLE 14).
TABLE 14: South Korea Balance of payments, FDI, foreign aid, external debt (1953-1991).

⁹¹ OECD (2018), Towards Better Social and Employment Security in Korea, Connecting People with Jobs, OECD Publishing, Paris, <https://doi.org/10.1787/9789264288256-en>. Available at: <https://www.oecd-ilibrary.org/sites/9789264288256-5-en/index.html?itemId=/content/component/9789264288256-5-en#figure-d1e1540> Accessed on 02/02/21

| | | BALANCE OF PAYMENTS | | | TRADE BALANCE | | | FDI | | FOREIGN AID | FOREIGN DEBT |
|----------------------|------|--------------------------|---------------------------------------|------------------------------------|---------------|--------|---------|-------|--------------|---------------|--------------|
| | YEAR | CHECKING ACCOUNT (GDP %) | CAPITAL AND FINANCIAL ACCOUNT (GDP %) | INTERNATIONAL RESERVATIONS (GDP %) | IMPORT | EXPORT | BALANCE | GDP % | INVESTMENT % | TOTAL (GDP %) | GDP % |
| POST-KOREAN WAR | 1953 | -5.6 | 5.6 | 5.4 | 11.8 | 3.0 | -8.8 | - | - | 14.9 | - |
| | 1954 | -12.0 | 1.9 | 7.2 | 6.3 | 1.5 | -4.8 | - | - | 11.0 | - |
| | 1955 | -19.0 | -0.2 | 5.9 | 5.9 | 1.3 | -4.6 | - | - | 16.9 | - |
| | 1956 | 1.7 | -1.6 | 7.0 | 27.2 | 1.8 | -25.4 | - | - | 21.8 | - |
| | 1957 | -0.2 | 0.1 | 5.8 | 23.0 | 1.1 | -21.9 | - | - | 22.5 | - |
| | 1958 | 2.0 | -2.0 | 7.7 | 18.1 | 0.9 | -17.2 | - | - | 16.9 | - |
| | 1959 | 0.5 | -0.8 | 7.4 | 13.7 | 1.0 | -12.7 | - | - | 11.7 | - |
| | 1960 | 0.7 | 0.4 | 7.9 | 15.3 | 1.5 | -13.8 | - | - | 12.6 | 4.3 |
| | 1961 | 1.5 | -3.3 | 9.4 | 12.0 | 1.0 | -11.0 | - | - | 9.5 | 4.0 |
| 1 ST PLAN | 1962 | -2.3 | 0.2 | 7.0 | 16.3 | 2.3 | -14.0 | 0.02 | 0.21 | 10.1 | 3.9 |
| | 1963 | -5.1 | -3.1 | 4.7 | 17.8 | 3.1 | -14.7 | 0.09 | 0.54 | 8.0 | 5.8 |
| | 1964 | -0.9 | -1.1 | 4.5 | 12.2 | 4.0 | -8.2 | 0.14 | 1.04 | 5.2 | 6.1 |
| | 1965 | 0.2 | -1.2 | 4.7 | 13.5 | 5.6 | -7.9 | 0.27 | 1.89 | 4.4 | 6.8 |
| | 1966 | -2.7 | -8.2 | 5.5 | 17.9 | 6.6 | -11.3 | 0.27 | 1.32 | 2.8 | 10.7 |
| 2 ND PLAN | 1967 | -4.4 | 4.1 | 5.1 | 20.7 | 7.6 | -13.1 | 0.35 | 1.67 | 2.3 | 15.1 |
| | 1968 | -5.2 | 8.1 | 7.2 | 24.5 | 9.0 | -15.5 | 0.36 | 1.54 | 2.0 | 22.9 |
| | 1969 | -5.1 | 8.2 | 5.1 | 24.3 | 9.7 | -14.6 | 0.30 | 1.09 | 1.7 | 27.7 |
| | 1970 | -7.6 | 7.8 | 7.4 | 22.0 | 10.8 | -11.2 | 0.37 | 1.52 | 1.0 | 28.0 |
| | 1971 | -5.9 | 8.8 | 6.0 | 22.9 | 11.9 | -11.0 | 0.32 | 1.27 | 0.5 | 30.8 |
| 3 RD PLAN | 1972 | -5.4 | 3.1 | 5.5 | 20.8 | 15.5 | -5.3 | 0.47 | 2.24 | - | 33.5 |
| | 1973 | -2.2 | 2.1 | 7.9 | 27.8 | 23.7 | -4.1 | 0.50 | 2.36 | - | 31.3 |
| | 1974 | -10.4 | 10.2 | 5.4 | 33.1 | 23.2 | -9.9 | 0.53 | 1.67 | - | 31.4 |
| | 1975 | -5.7 | 9.7 | 7.1 | 30.8 | 23.1 | -7.7 | 0.72 | 2.51 | - | 30.5 |
| | 1976 | -1.1 | 1.9 | 9.9 | 28.2 | 26.2 | -2.0 | 0.52 | 1.97 | - | 36.2 |

| | | | | | | | | | | | |
|-------------------------|-----------|-------|------|------|------|------|-------|------|------|------|------|
| 4 TH PLAN | 1977 | 0.0 | 0.1 | 11.2 | 27.5 | 26.2 | -1.2 | 0.26 | 1.00 | - | 33.9 |
| | 1978 | -2.0 | 2.6 | 9.2 | 27.0 | 23.7 | -3.3 | 0.19 | 0.60 | - | 28.3 |
| | 1979 | -5.5 | 7.0 | 8.9 | 29.7 | 22.9 | -6.8 | 0.20 | 0.57 | - | 32.4 |
| | 1980 | -10.5 | 9.7 | 10.1 | 33.2 | 23.1 | -10.1 | 0.16 | 0.50 | - | 43.3 |
| | 1981 | -5.9 | 6.8 | 9.5 | 33.4 | 24.9 | -8.5 | 0.15 | 0.51 | - | 46.3 |
| AGGREGATE DATA PER PLAN | | | | | | | | | | | |
| 1 ST PLAN | 1962-1966 | -2.2 | -2.7 | 5.5 | 15.5 | 4.3 | -11.2 | 0.16 | 1.00 | 6.01 | 6.07 |
| 2 ND PLAN | 1967-1971 | -7.4 | 7.4 | 7.4 | 22.9 | 9.8 | -13.1 | 0.34 | 1.42 | 4.54 | 24.9 |
| 3 RD PLAN | 1972-1976 | -5.2 | 5.4 | 7.5 | 25.1 | 22.3 | -5.8 | 0.57 | 2.15 | 3.34 | 34.4 |
| 4 TH PLAN | 1977-1981 | -5.5 | 5.2 | 9.8 | 30.2 | 24.2 | -6.0 | 0.20 | 0,64 | 2.64 | 36.5 |

SOURCE: Chung, 2007; Korea Statistical Yearbook (various years); Bank of Korea Economic Statistic System.

Note: There is a methodological discontinuity in calculating the "Capital and Financial Account" values. Until 1979, data refer to the "Capital and Monetary Gold" account found in the Balance of Payments statements of the Korea Statistical Yearbook. From 1980 onwards, data refer to the Balance of Payments account "Financial Account" extracted from the Bank of Korea Economic Statistic System. (Author's adaptation).

For all that has been shown, the South Korean economic catching-up process was successful. Except for a small detail. Regardless of unequivocal social improvements, the inequality rate has been somehow persistently stagnant, with minor variation (See TABLES 10, 11, 12 and 13 above), and social welfare expenditures persistently low, even more for a country that entered the selected group of OECD rich countries (TABLE 15).

TABLE 15: Social Welfare Budget and Tax Burden Rate in OECD Countries (in % of GDP).

| | Korea | Japan | U.S.A. | U.K. | Germany | Sweden | France |
|----------------------------------|-------|-------|--------|-------|---------|--------|--------|
| Social Welfare Expenditure(A) | 4.42 | 12.44 | 15.64 | 22.84 | 28.27 | 38.03 | 28.73 |
| Old aged, Disabled, Survivors(B) | 1.24 | 6.00 | 7.07 | 9.03 | 13.01 | 12.87 | 12.66 |
| A-B=C | 3.18 | 6.44 | 8.57 | 13.81 | 15.26 | 25.16 | 16.07 |
| Tax burden rate(D)* | 20.7 | 29.1 | 27.0 | 33.5 | 39.2 | 50.1 | 43.9 |
| A/D | 21.4 | 42.7 | 57.9 | 68.2 | 72.1 | 75.9 | 65.4 |
| C/D | 15.4 | 22.1 | 31.7 | 41.2 | 38.9 | 50.2 | 36.6 |

Note: *Social Security Tax included

SOURCE: OECD, Social Expenditure Statistics of OECD Members Countries, 1996 Available at: OECD (2018), Towards Better Social and Employment Security in Korea, Connecting People with Jobs, OECD Publishing, Paris, <https://doi.org/10.1787/9789264288256-en>.

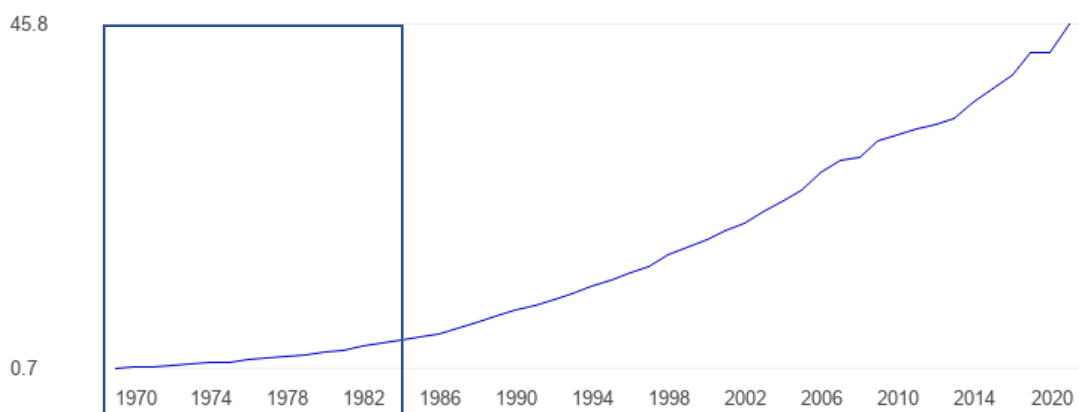
Available at: <https://www.oecd-ilibrary.org/sites/9789264288256-5-en/index.html?itemId=/content/component/9789264288256-5-en#figure-d1e1540> Accessed on 02/02/21

Thus, this study started with the intention to solve an alleged puzzle concerning South Korean success vis-à-vis Brazilian failure, starting from a specific context for both countries in the early sixties, focusing on two decades or so of dictatorial regimes. The central hypothesis proposed led the analyses to undo such a Brazilian failure and understood it as part of a DS project linked to a specific economic nationalism profile. It seems, however, to exist a puzzle inside a puzzle here. How come, starting from the 1960s onwards, South Korea brought the nation to high-income status and at the same time kept a high inequality rate and a low welfare expenditure budget? Like Brazil, South Korea should be entitled to be a rich country of poor people. If not, how is it possible to reconcile a high inequality rate and a low welfare expenditure with a wealthy nation? Without an appropriate answer for this second puzzle, this study would be doomed to fail since the premises that support it would be false. Thus, it was necessary to cave deeper. The answers came through other indicators that helped sustain the premises of a

prosperous South Korean nation, regardless of its high inequality rate and low welfare expenditure.

Therefore, among dozens of indicators available, this study selected seven out of the traditional, such as GDP and GDP per capita or such, that, for natural reasons, although necessary, are meaningless since they cannot offer a better vision to counterpoint the possible false premise mentioned. The first indicator was the decreased unemployment rate, as dealt with above. The second, GDP per hour worked in current USD, PPP adjusted. This indicator considers that the level of GDP is adjusted in terms of Purchasing Power Parity to reflect price differences across countries. It showed impressive results (FIGURE 9).

FIGURE 9: South Korea GDP per hour worked in current USD, PPP adjusted, 1970 – 2020.



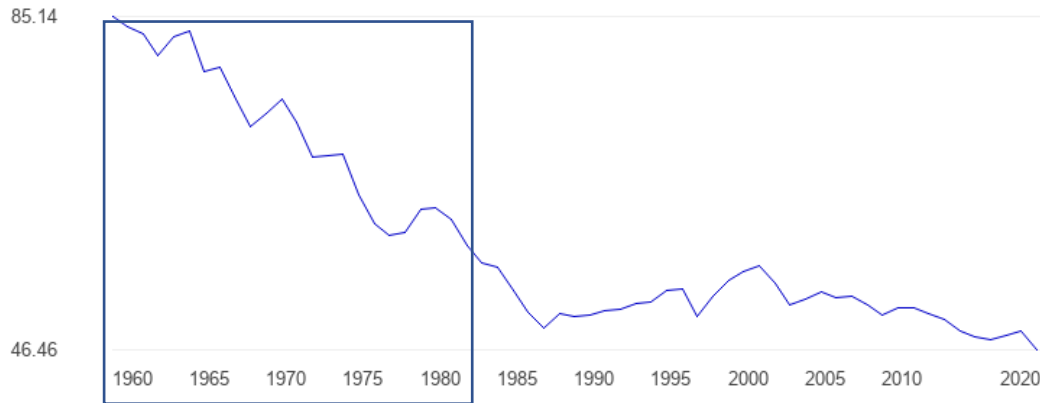
SOURCE: https://www.theglobaleconomy.com/South-Korea/productivity_current_USD/

For that indicator, the average value for South Korea during 1970-2020 was USD15.5 per hour worked with a minimum of USD0.7 per hour worked in 1970 and a maximum of USD45.8 per hour worked in 2020. The latest value from 2020 is USD45.8 per hour worked.

The third is household consumption as a percent of GDP, 1960 – 2020. Household final consumption expenditure (formerly private consumption) is the market value of all goods and services purchased by households, including durable products (such as cars, washing machines, and home computers). It excludes purchases of dwellings but includes imputed rent for owner-occupied dwellings. It also includes payments and fees to governments to obtain permits and licenses. Here, household consumption expenditure includes the expenditures of nonprofit institutions serving households, even when reported separately by the country. This item also includes any statistical discrepancy in the use of resources relative to the supply of resources. For that indicator, the average value for South Korea during that period was 59.5 percent, with

a minimum of 46.46 percent in 2020 and a maximum of 85.14 percent in 1960. The latest value from 2020 is 46.46 percent. For comparison, the world average in 2020 based on 129 countries is 64.36 percent (FIGURE 10).

FIGURE 10: South Korea household consumption as percent of GDP, 1960 – 2020.

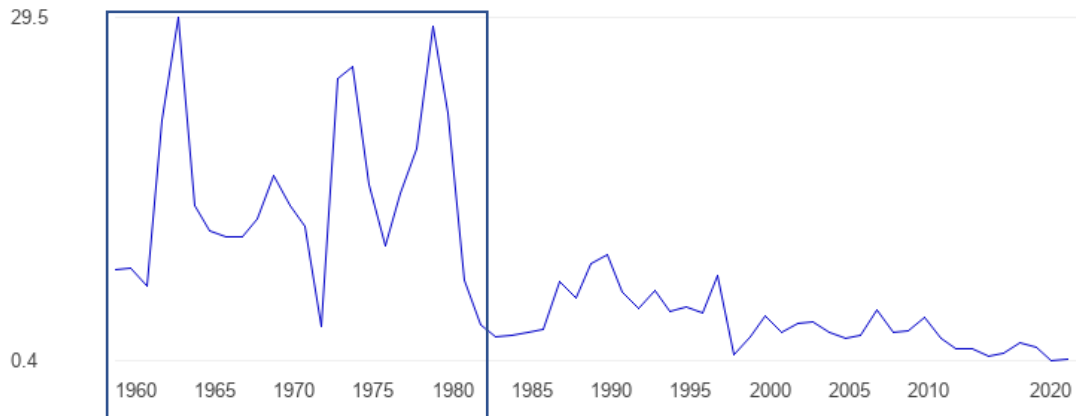


SOURCE: https://www.theglobaleconomy.com/South-Korea/household_consumption/

The fourth is the Inflation⁹² percent change in the Consumer Price Index, 1960 – 2020. For that indicator, the average value for South Korea during that period was 7.8 percent, with a minimum of 0.4 percent in 2019 and a maximum of 29.5 percent in 1964. The latest value from 2020 is 0.5 percent. For comparison, the world average in 2020 based on 138 countries is 4.5 percent (FIGURE 11). Inflation in South Korea and other countries is usually calculated as the percent change in the Consumer Price Index (CPI) from one year to the next. The CPI represents the prices paid by the average urban consumer in each respective country. Inflation can also be calculated with other price indexes such as the Produce Price Index or GDP deflator. The graphic below shows that after a rough period throughout the 1960s and 1970s, the prices stabilized when South Korea entered the world of semiconductors.

⁹² As measured by the consumer price index, inflation reflects the annual percentage change in the cost to the average consumer of acquiring a basket of goods and services that may be fixed or changed at specified intervals, such as yearly. The Laspeyres formula is generally used.

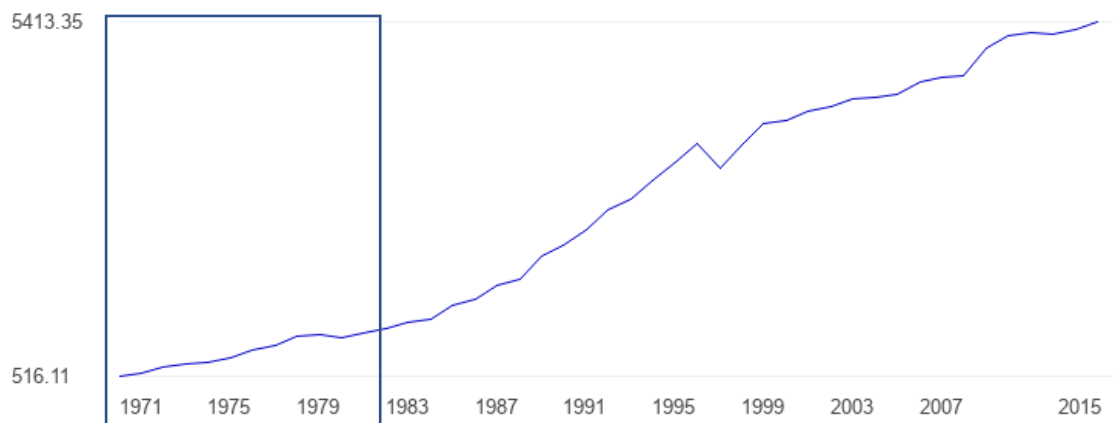
FIGURE 11: South Korea Inflation percent change in the Consumer Price Index, 1960 – 2020.



SOURCE: <https://www.theglobaleconomy.com/South-Korea/Inflation/>

The fifth indicator is the energy use per capita, 1971 – 2015. For that indicator, the average value for South Korea during that period was 2787.03 kilograms of oil equivalent with a minimum of 516.11 kilograms of oil equivalent in 1971 and a maximum of 5413.35 kilograms of oil equivalent in 2015. The latest value from 2015 is 5413.35 kilograms of oil equivalent. For comparison, the world average in 2015 based on 35 countries is 4155.99 kilograms of oil equivalent. The energy use per capita in South Korea includes all types of energy sources, from domestic production and imports. For easy comparison, the energy is expressed in kilograms of oil equivalent (FIGURE 12).

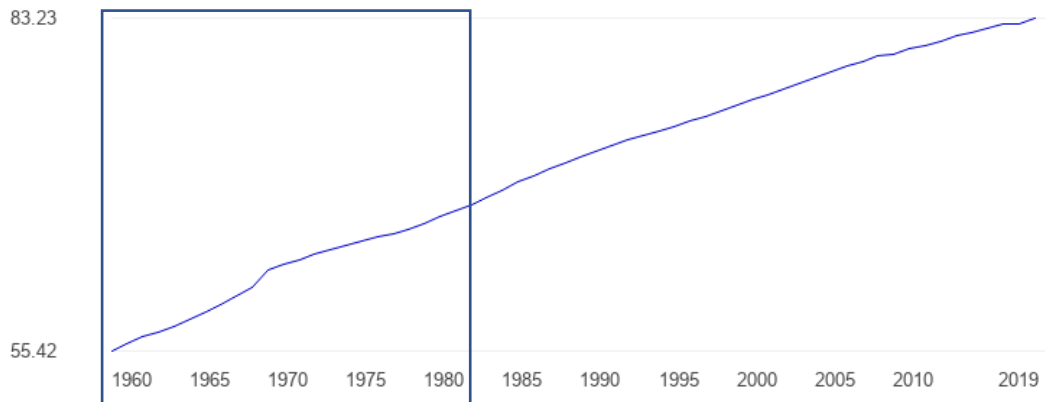
FIGURE 12: South Korea energy use per capita, 1971 – 2015.



SOURCE: https://www.theglobaleconomy.com/South-Korea/Energy_use_per_capita/

The sixth indicator is the life expectancy,⁹³ in years, 1960 – 2019. For that indicator, the average value for South Korea during that period was 70.59 years, with a minimum of 55.42 years in 1960 and a maximum of 83.23 years in 2019. The latest value from 2019 is 83.23 years. For comparison, the world average in 2019 based on 190 countries is 72.86 years (FIGURE 13).

FIGURE 13: South Korea life expectancy.



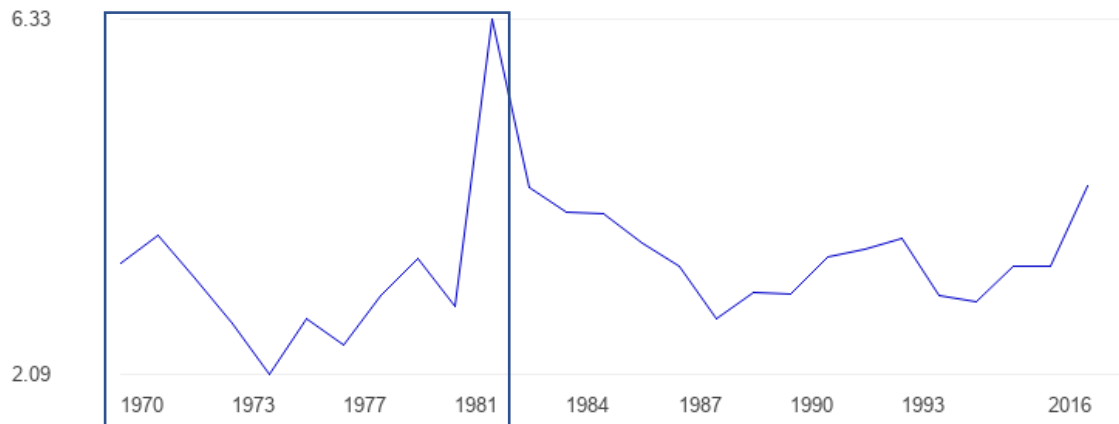
SOURCE: https://www.theglobaleconomy.com/South-Korea/Life_expectancy/

The seventh indicator is the public spending on education⁹⁴, percent of GDP, 1970 – 2016. For that indicator, we provide data for South Korea from 1970 to 2016. During that period, the average value for South Korea was 3.41 percent, with a minimum of 2.09 percent in 1975 and a maximum of 6.33 percent in 1982. The latest value from 2016 is 4.33 percent. For comparison, the world average in 2016 based on 108 countries is 4.49 percent (FIGURE 14).

⁹³ Life expectancy at birth indicates the number of years a newborn infant would live if prevailing patterns of mortality at the time of its birth were to stay the same throughout its life.

⁹⁴ General government expenditure on education (current, capital, and transfers) is expressed as a percentage of GDP. It includes expenditure funded by transfers from international sources to the government. General government usually refers to local, regional, and central governments.

FIGURE 14: South Korea public spending on education.



SOURCE: https://www.theglobaleconomy.com/South-Korea/Education_spending/

Knowing that education in South Korea is an asset for family members and society and that education in South Korea means quality education, what has allowed, among other factors, the country to upgrade continuously, socio-economic, technologically speaking, this graphic is a clear example that the expenditure budget has not been the cause for the outstanding results observed concerning education and learning in this country.

All been said, this study restates that South Korea's performance, starting from the 1960s and 1970s, and based on specific DS and economic nationalism profiles, led not only the country but also the South Korean nation to a superior position, regardless of its paradoxical high inequality rate and low public welfare expenditure indicators. This statement is because other indicators far more compensated these two due to effective public policies and a dynamic economy. Thus, this study can follow its original track and its original puzzle with this in mind. Nevertheless, the solution proposed for this alleged second puzzle is open for debate and requires further studies.

4.2. Vectors and variables

This section discusses the six key variables that are operationalized and briefly presented in the Introduction. The dissertation argues that this analytic framework can provide a more satisfactory explanation of the divergent long-term outcomes of developmentalism in South Korea and Brazil. Whereas the section covers the experience of South Korea, Chapter 5 uses it to confront the analyses and outcomes to the Brazilian experience, albeit in a random manner and not structured as in this Chapter 4, according to the topics and subtopics of the narrative. The six variables were distributed in four developmental vectors: 1-strategic, 2-tactical, 3-geopolitical, and 4-ideational. The strategic vector encompasses the type of State, business

configuration, and business-state relationship. The tactical embodies the productive patterns of ISI, EOI, or a transitional one. The geopolitical expresses the international environment and, finally, the ideational refers to economic nationalism and nation-building profiles - their models and agendas. (FIGURE 15).

FIGURE 15: Development vectors and their variables.



SOURCE: Author.

4.2.1. Strategic vector:

4.2.1.1. Type of State

According to Amsden (1989), the existence or lack of natural resources or a small or big population of a country are not determinants to its development. For her, the reasons why some countries in the twentieth century have found themselves behind others in income and wealth must be pursued more consistently in two other orientations. The first refers to market relations among countries. The second considers domestic institutional features. The second feature is the object of this subsection.

The domestic institutional arrangement refers to the state’s capacity to mobilize factors necessary to launch and sustain economic development. In short, industrialization happened earlier or later because some states were strong or weak to mobilize necessary factors (Amsden, 1989).

State's intervention played a role in eighteenth and nineteenth centuries industrialization experiences, setting catching ups in motion. In the twentieth century, the challenge was even

more significant since it required more outstanding government support given emerging nations' relatively more significant backwardness. It called for a cumulative set of intervention instruments, including protecting infant industries and providing private investors with a battery of incentives and subsidies, which included tariff protection and financial benefits. Just like in the eighteenth and nineteenth centuries, those countries are now rich (Amsden, 1989; Chang, 2002a).

Therefore, regardless of liberal voices in contrary, catching up demands the State to set prices wrong to address the needs of savers and investors and importers and exporters groups. This upside-down set of market mechanisms assumes that interest rates must be higher for some than others and that importers and exporters must pay different prices for foreign currency to launch catch-up industrialization. The State in late industrialization intervenes to establish multiple prices in the market. Opposing what is predicted by supply and demand theory, in this case, it is not capable of setting relative prices right because historical factors compromise the theory's beauty.

The State in late industrialization must set relative prices deliberately wrong to create profitable investment opportunities. South Korea exemplary embraced this assumption. In the period under the scope, its economic expansion depended on State intervention to create price distortions that direct economic activity toward more significant investment (Amsden, 1989).

The South Korean State is well known for its interventionism. However, according to Bresser-Pereira's (2019) developmental State's typology adopted in this study, it was not only interventionist but also a DS of a particular type, an 'independent peripheral developmental state.' The marker of this type of State under a catching up movement is the high impact of its agency on the economy —or industrial policy— on firms, resulting from the implementation of a variety of disciplinary and incentive mechanisms to get macroeconomic prices far from right and business as aligned as possible to the policy goals: subsidized credits, technology licensing, profit rate, interest rate, wage rate, inflation rate and, above all, the exchange rate. During PCH's administration, South Korean policymakers and officers were highly influential in implementing them.

4.2.1.2 Business organization and business-state relationship

Essential aspects of the South Korean DS are the partner business organization, made of giant conglomerates, and the nature of its State-business relationship. This subsection discusses the origin and characteristics of 'chaebols,' their relationship with the State, and the impact of such relationships on the economy.

The South Korean chaebols resemble the stage-one zaibatsu structure of the Meiji era. At the center of each group is the hoejang, the chairman, who is the dynamic and cohesive force of the group. Typically, this person is an entrepreneur in the true sense, founding one enterprise and then leaving its management to a relative (or, more recently, to a trusted associate) as he moves on to a new venture. Most of the shares in the various enterprises are held by the hoejang and his immediate relatives. A significant difference between the pre-war zaibatsu, post-war keiretsu, and the chaebols is that the latter depends on access to government-controlled credit institutions since, until recently, they could not either own their banks or access foreign credit without the government's approval. This is a key factor in government-business relations in South Korea, one which has an essential bearing on the limits of private economic power (Mason et. al., 1985).

While a handful of the South Korean chaebols started under the adverse circumstances of the Japanese occupation and the Korean War, nearly all of today's successful ones owe their positions to postwar regimes' policies (TABLE 15). They often began as small enterprises during the Japanese colonial period. Although some formed group organizations, they were not comparable to today's South Korean conglomerates. The history of the chaebols in Korea is even shorter when one considers that their foundation dates are usually those of the mother firm and not those of the establishment of the chaebol. Following this practice, among today's largest chaebol, the Doosan group founded in 1896 is probably the oldest business group in Korea (Kang, 1996).

A chaebol is, in short, a business group. However, the definition of a business group is a tricky one.⁹⁵ The defining characteristic of business groups is organized networks of independent firms. Business groups are not corporations in the conventional meaning of the term. Business groups are composed of a set of legally independent firms that may or may not have economic or fiscal relationships among themselves and generally have no overarching accounting or management systems that coordinate the activity of member firms. Sometimes, all firms in the group are at least partially owned by a core firm, sometimes a holding company, a bank, or a key manufacturing firm. At other times, an individual or a small group of individuals, often a family, owns or controls the business group (Kang, 1996).

⁹⁵ The business group carries various names in different areas, such as los grupos economicos in Latin America, zaibatsu or keiretsu in Japan, super-control groups and Konzern in Western Europe, industrial houses, investment groups, enterprise groups, and chaebols in South Korea.

Byun (1975) defines a chaebol as a set of large business groups working under a uniform system with standard finance, labor relations, and management. Each firm in the business group is superficially independent, but each is, in fact, dependent on the others. Jones and Sakong (1985) define a chaebol as a family-controlled organization managed centrally through a holding company. Chu (1985) defines a chaebol as a business group that controls multiple firms through a holding company controlled by a specific kinship. Hattori (1986) suggests that there are two requisite dimensions inherent in the various conceptualizations of chaebol: ownership by family and diversified business operations. Yoo and Lee (1987) define chaebol as a business group consisting of large companies owned and managed by family members or relatives in many diversified business areas. However, not arriving at a proper definition, it is possible to enumerate at least six essential characteristics inherent to these groups: non-inter-related industries; specific family-owned; out of chaebol side money dependency; centralized control; paternalistic management philosophy; and foreign management resources dependency. Kim (1987) defines chaebol as a significant multi-company association that operates in different markets under common financial and management control and maintains a relationship of long-lasting trust, loyalty, and cooperation among group members.

For policy reasons, the EPB's search for a definition of a chaebol looks at combined total assets, which vary over time, including those of subsidiaries. This parameter makes the number of chaebols vary according to this calculation. The South Korean Central Bank, in turn, defines chaebol in terms of combined bank credits (i.e., borrowings and guarantees). The definition adopted here is of a family (or families)- a controlled group of businesses operating under a paternalistic top-down structure in unrelated industries, with accumulated assets and operating under a combined bank credits' profile.

Chaebols became increasingly powerful from the 1950s onwards, during Rhee's and PCH's regimes. The years between the liberation and the end of the Korean war fostered adjustments in business patterns since the colonial patterns of local enterprise faded for a time in the turbulence of liberation in 1945 and the founding of the First Republic in the south in 1948. Business leaders had to adapt to new local rules and learn how to voice their interests politically in a fledgling democracy. All at once, they faced a new business partner—the United States, while facing domestic political pressure to curtail ties with Japan.

Apart from dislocation, reconstruction, and the salient emergent role of the United States in the economy, the post-colonial elite struggled to find a new political identity and configure a positive reception for private enterprise in the Republic's early days. Some of the most striking

patterns among post-colonial continuities were the persistent prominence of the family in large-scale enterprises, close business-state ties, and business concentration (Kang, 1996).

Viewed from a more extended period, between the liberation in 1945 and the fall of the Rhee government in 1960, several chaebols were born. They could accumulate wealth at a higher rate than before and post-growth rates higher than the national average. Although no chaebols diversified and made a widening step into large economies of scale industries until the end of the 1950s, a few chaebols had become dominant players in the national economy by the 1960s. Table 16 shows the year of establishment, the number of member companies, and the major business areas of the largest chaebols in 1960.⁹⁶

TABLE 16: Largest chaebols in 1960

| <i>Chaebol</i> | Year est. | Member companies | Major business |
|----------------|-----------|------------------|--|
| Samsung | 1938 | 13 | Import trading, food, textiles, banking |
| Samho | 1950 | 7 | Import trading, textiles, banking |
| Kaepoong | 1949 | 9 | Import trading, cement, banking |
| Taehan | 1946 | 5 | Import trading, food, textiles |
| Lucky | 1931 | 4 | Import trading, consumer chemical |
| Tongyang | 1956 | 4 | cement, food |
| Keukdong | 1947 | 4 | Import trading, shipping |
| Korea Glass | 1954 | 2 | Import trading, glass |
| Dongrip | 1949 | 2 | Food |
| Taechang | 1916 | 2 | Import trading, textiles |
| Samyang | 1921 | 9 | Import trading, textiles, food, mass media |
| Hwashin | 1931 | 5 | Import trading, department store |
| Hyundai | 1947 | 3 | Construction, cement |
| Ssangyong | 1939 | 2 | Textile, cement |

SOURCES: Cho (1990)⁹⁷ and Kim (1987).

The government played a significant role in chaebol accumulation. However, the government-business relationship became quite different under Park than under Rhee. Rhee's type of government-business relation was "fellow friendly," so to speak, resting on incentives, selective business bargains, and corruption. At the same time, Park's one was founded on a different set of parameters, albeit whether highly discretionary. One might resume these

⁹⁶ Although only six of the fourteen largest chaebols started during the colonial period, most chaebols having the characteristics of a business group were formed during the Rhee government. The average number of member companies was 5.1, and the primary business fields engaged in were import trading, banking, and the three white industries.

⁹⁷ Published under Cho on the Maeil Business Newspaper is South Korea's main daily business newspaper until this date.

differences by saying that there was a "stick" ready to be used for each incentive under Park's regime if target results were non-satisfactory. However, business bargains demanded a blind commitment to the five-year plan at stake, and corruption was viewed as the greatest of sins (Kang, 1996; Jones and Sakong, 1985).

When the Military Junta took office in 1961, with PCH heading it, the government's parameters and goals became what the military officers had learned, lived, seen, and heard about Japan's industrialization experience. The coup government saw a clear need to build a solid industrial base as the cornerstone of the country's future development, driven by a long-run strategy favoring diversification into manufactured exports. To pursue such goal, it was understood that now the State, given the initial weakness of the private sector and its previous promiscuous relationship with the State, had to play a leading role in formulating and implementing trade and industrial policies, and offer incentives and establish disciplinary measures and goals (In Kim & In Vogel, 2011; Kang, 1996; Jones and Sakong, 1985).

The basic strategy to develop the South Korean industry called for targeting a few sectors of the economy that were expected to perform well in international markets and determined that firms entering them would be granted special incentives and specific tasks, and penalties in case of failure, a combined three-part mechanism to strengthen old chaebols and generate new ones (Johnson, 1982).

A couple of lingering questions on the pattern of business-state relationship in postwar Korea is: 1- who controlled who during PCH's term? 2- Was it a democratic relationship? 3- Is there a Korea Inc., as it was commonly said in the near past about a Japan Inc.⁹⁸? Moreover, although it may be seen as semantics, the essential question 4- is to know who led whom, if the State or the chaebols, to know which of these two actors led in the catching-up phase process from the 1960s until the 1970s in South Korea. This last question goes beyond the sociological debate on the nature of the State if it is a class instrument or a people's defense against human evil's nature. If it is an extension of business influence on government or the other way around. These aspects have important analytic, theoretical, and policy implications since they create ramifications beyond the economic realm. Therefore, a qualified answer to know who walks

⁹⁸ One relevant paradigm of government-business interaction is represented by the notion of Japan Inc., that is, the proposition that economic growth policies have been jointly decided and jointly executed by politicians and appointed officials together with representatives of private business. Jones and Sakong (1980) state some divergence as to where dominance lies: some would have government dominating business, others the reverse, and a third group would say it makes no difference because they are the same.

who is fundamental to understanding how a great nation or a project of a great country functions and their constituent differences.

Given the South Korean government's dedication to growth and its dependency on private-sector activity, the government's success was required. Indeed, the very survival of PCH's administration and the military regime rested on the country's economic performance and, thus, on the success of South Korean private business. This mutual interest implied a partnership. To this end, there was indeed a Korea Inc. The partnership reflected itself in policy formulation and extensive interaction between government and business, facilitated by a network of personal ties between businesspeople and government officers and by personnel exchanges between them (Jones and Sakong, 1985).

Unlike Japan, in South Korea, the leading partner in the business-government relationship was the government under PCH's regime, and PCH's original power base was the military. Later, it became a broader mix of the military and other executive agencies, supported by the broad-based popularity derived from economic success. A genuine question is if the business community had enough power to dismiss PCH. However, this question is meaningless. Why would the business community do that? Eventually, the South Korean business community could dismiss PCH by shutting down operations and ruining themselves in the process (In Kim & In Vogel, 2011).

On the other hand, next to the State's strong agency, large industrial conglomerates played a crucial role in the country's industrialization process. In fact, given their oversized economic importance, South Korea's rapid economic growth can be partly attributed to these large business groups. Naturally, small, and medium-sized enterprises have also contributed to this economic growth. However, their relative contribution pales compared to that made by sizeable private business groups, which rose at an unprecedented speed and acted in every corner of the economy.³⁵ The fast and extensive growth-led strategy, combined with a higher degree of diversification, fostered the growth of chaebol companies, allowing the country to overcome the subcontracting-based export promotion destiny status it had been allocated for geopolitical reasons (Kang, 1996; Kim, 1991a).

Kim (1991a) shows that over the 1973-1978 period, the annual growth rate of value-added contributed by the ten largest conglomerates reached 30%. In terms of the share of their contribution to GDP, they accounted for 14% in 1973, rising to 23.4% by 1978. The top 46 firms, taken together, accounted for 31.8% of GDP in 1973, which rose to 43% over the same period (TABLE 17). In 1982, for example, 271 large enterprises, out of a total of 35,971 firms in South

Korea's manufacturing sector, accounted for more than one-third of the shipment value, value-added, and capital. In 1984, the ten largest chaebols had combined sales equivalent to over two-thirds of the country's gross national product of the same year. As of 1989, the share of the 30 largest chaebols in the manufacturing sector reached 35.2 percent in terms of the shipment value and 16.6 % in employment. Furthermore, the chaebols also figure prominently in non-manufacturing sectors. The shares of the 30 largest chaebols in the audited corporations' total sales in 1987 were 54.1 percent in construction, 88.6 percent in transport and storage, 82.5 percent in commerce and trade, and 76.1 percent in real estate and service (Kang, 1996).

TABLE 17: Contribution to value added by conglomerates.

| NUMBER OF CONGLOMERATES | ANNUAL GROWTH RATE (1973-1978) | AS PERCENTAGEM OF GDP | |
|-------------------------|--------------------------------|-----------------------|-------|
| | | 1973 | 1978 |
| 5 | 35.7 | 8.8 | 18.4 |
| 10 | 30.0 | 13.9 | 23.4 |
| 20 | 27.5 | 21.8 | 33.2 |
| 46 | 21.4 | 31.8 | 43.0 |
| GDP TOTAL | 17.2 | 100.0 | 100.0 |

SOURCE: Korean Development Institute *in* Kim (1991). Author's adaptation.

4.2.3. Tactical vector: productive patterns (ISI, EOI, or transitional)

According to Westphal and Kim (1982), South Korea's industrial expansion from 1955 through the early 1960s was mainly oriented towards the domestic market and import substitution in light manufactured and nondurable consumer goods. Thus, exports in 1956 amounted to less than half their real value in 1950. In the late 1950s, the growth of exports accelerated gradually so that by 1960 their real value surpassed that in 1950 by nearly 16 percent. In absolute terms as well as in 1950 by nearly 16 percent and amounted to about US\$ 100 million, of which only 6 percent consisted of manufactured products.

Manufactured exports rose rapidly in the 1960s, but the real turning point in export and industrial growth occurred around 1965, at the end of a period of trade liberalization and other major policy reforms. In the following decade, manufactured export growth coupled with domestic demand fueled industrialization much faster than before. According to Westphal and Kim (1982), the compound annual growth rate in the manufacturing output index was 11 percent from 1955 to 1965 and increased to 24 percent from 1965 to 1975. Underlying this acceleration, the share of exports in manufacturing (gross) output, which was nil in 1955, rose from about 6 percent in 1965 to almost 25 percent in 1975. Moreover, within the decade 1965-75, the ratio of total exports to GNP more than trebled, and the share of GNP originating in the

manufacturing sector more than doubled. Manufactured products constituted 42 percent of total exports in 1965 and 74 percent in 1975.

Correlating these advances in the industrialization performance and export orientation with other indicators, Westphal and Kim (1982) also point out that almost every indicator of development performance improved dramatically after the mid-1960s. The annual growth rate of real per capita income increased from 2.1 percent in the decade before 1965 to 8.1 percent in the decade that followed. By 1975, Korea's population of more than 34 million enjoyed a per-capita income over USD500 (in current US dollars). The economy also performed well concerning employment and income distribution. Between 1965 and 1975, total employment is estimated to have increased by 3.7 percent a year, while the population aged fourteen years and older was growing at 3.2 percent annually. Real wages in mining and manufacturing rose at an average annual rate of 7.8 percent during this period.

Table 18 summarizes these advances, presenting the data confirming that industrial incentive policies, particularly import-substitution and export expansion ones, played a significant role in South Korea's economic transformation:

TABLE 18: South Korea: Major Economic Indicators, 1955-75.

| Indicator | 1955 | 1960 | 1965 | 1970 | 1975 |
|--|---------------|----------------|---------|---------|---------|
| <u>Computation of GNP per Capita</u> | | | | | |
| GNP (thousand million won; 1970 prices) | 938.2 | 1,129.7 | 1,529.7 | 2,589.3 | 4,107.7 |
| Population (million persons) | 21.5 | 24.9 | 28.3 | 31.4 | 34.7 |
| GNP per Capita (thousand won; 1970 prices) | 43.6 | 45.3 | 54.0 | 82.4 | 118.4 |
| <u>Percentage Shares of GNP (1970 prices)</u> | | | | | |
| Value Added in: | | | | | |
| Primary Production | 47.5 | 42.6 | 41.0 | 29.2 | 23.0 |
| Manufacturing | 7.9 | 10.8 | 13.9 | 21.6 | 31.9 |
| Social Overhead <u>a/</u> | 4.2 | 6.0 | 8.5 | 13.3 | 13.7 |
| Services | 40.4 | 40.6 | 36.6 | 35.9 | 31.4 |
| Gross Investment | 10.0 | 8.6 | 12.9 | 27.2 | 26.3 |
| Exports of Goods and Nonfactor Services | 1.4 | 2.4 | 5.2 | 14.7 | 28.3 |
| Imports of Goods and Nonfactor Services | 11.2 | 10.4 | 9.8 | 24.8 | 27.2 |
| <u>Percentage Shares of GNP (current prices)</u> | | | | | |
| Government Revenue | 10.5 | 19.8 | 16.1 | 20.1 | 19.7 |
| Government Savings | 0.6 | 4.1 | 3.7 | 7.5 | 3.6 |
| Total Domestic Savings | 3.7 | 1.6 | 7.7 | 17.1 | 17.7 |
| Gross Investment | 11.9 | 10.9 | 15.1 | 27.2 | 27.1 |
| Exports of Goods and Nonfactor Services | 1.6 | 3.3 | 8.5 | 14.7 | 30.2 |
| Imports of Goods and Nonfactor Services | 9.8 | 12.6 | 13.9 | 24.8 | 39.6 |
| <u>Compound Annual Growth Rates (percent)</u> | | | | | |
| | 1955-60 | 1960-65 | 1965-70 | 1970-75 | |
| GNP (1970 prices) | 3.8 | 6.2 | 11.1 | 9.7 | |
| GNP per Capita (1970 prices) | 0.7 | 3.6 | 8.8 | 7.5 | |
| Manufacturing Value Added (1970 prices) | 10.3 | 11.8 | 21.3 | 18.5 | |
| Index of Manufacturing Output | 12.0 | 9.5 | 24.2 | 23.2 | |
| Total Exports (1970 prices) | 16.3 | 24.0 | 36.5 | 25.0 | |
| Population 14 Years and Older | n.a. | 2.5 <u>c/</u> | 2.8 | 3.6 | |
| Economically Active Population | n.a. | 2.7 <u>c/</u> | 2.9 | 3.9 | |
| Employment | | | | | |
| Total | n.a. | 2.4 <u>c/</u> | 3.5 | 3.9 | |
| Manufacturing | n.a. | 12.2 <u>c/</u> | 10.7 | 11.4 | |
| Real Wages | | | | | |
| Average in Mining and Manufacturing | 5.1 <u>b/</u> | 3.1 | 7.1 | 8.4 | |
| Agricultural labor | n.a. | -0.1 | 8.2 | 1.5 | |
| Prices | | | | | |
| GNP Deflator | 12.0 | 19.3 | 13.7 | 15.3 | |
| Wholesale Price Index | 10.2 | 17.2 | 7.9 | 18.9 | |

n.a. Not available.

Note: Figures may not reconcile because of rounding.

a/ Includes construction, electricity, gas, water, sanitary services, transport, storage, and communication.

b/ For 1957-60.

c/ For 1960-66.

SOURCES: Bank of Korea, Economic Statistics Yearbook, 1967, 1969, 1976; Bank of Korea, National Income in Korea, 1975; Economic Planning Board, Korea Statistical Yearbook, 1975; and Wontack Hong, Factor Supply and Factor Intensity of Trade in Korea (Seoul: Korea Development Institute, 1976). In Westphal and Kim (1982).

This rapid increase in exports continued into the 1970s. However, a consensus has not yet been reached about when, how, and why the rapid export expansion began. Liberal-minded oriented studies of South Korea's economic growth (Cole and Lyman, (1971), Frank, Kim, and

Westphal (1975), Kim, (1975), Hong and Krueger, (1975), Kim and Westphal, (1976), Westphal and Kim, (1982,) and Krueger, (1979)) to attribute the shift to the switch in development strategy from ISI to EOI in the mid-1960s and to the trade policy that subsequently moved in the direction of less intervention and more liberalization. Others, state-minded oriented, place greater emphasis on governmental intervention for export success (Amsden (1989), Wade (2004), and Rodrik (1995).

Yoo (2017) presents an intriguing argument concerning the reasons for the nature of this transformation, saying that it was the reform of the foreign exchange system in February 1961 the contingent element that triggered the whole transformational series of events. Agreeing with the importance of this reform but disagreeing with the argument presented by Yoo (2017), this research embraces the widely held view shared by liberal state-minded studies that the policy switch from ISI to EOI in the mid-1960s started the rapid export expansion and by government state-minded ones that, otherwise, state that it was the heavy intervention by the government that led to the export surge.

Cutting through these arguments, this research proposes another one, calling for a reinterpretation of the relation between South Korea's export success, the government policies, the international environment, and a specific view of the economic nationalist perspective approach. This reinterpretation says that if it is to attribute the role of being a critical fundamental root the contingent element that triggered the whole industrialization, one must go back to the late 1940s, after WWII in South Korea, since it certainly was the liberation and the agrarian reform the real root-triggers. However, suppose one searches for a single factor capable of explaining the speed of the industrial transformation that occurred during the 1960s. In that case, there was no particular contingency element that could be attributed responsible beyond the coup's ideology itself and PCH's strong agency after that, acting as a protagonist agent from then onwards, inaugurating a new institutional framework and a new type of State-business and State-society relationship, anchoring the three of them to a particular view of specific economic nationalism, capable of merging interests to favor the country, meaning business and the State, and the nation, meaning people.

Therefore, it does not make sense to spend efforts to date the beginning of Korea's fast industrialization process within the boundaries of an economic reformation act since this is a very intricate process with a complex trajectory with many embedded variables operating simultaneously and various levels. Therefore, it does not seem sensible to date the beginning of a rapid export expansion from the exchange reform of 1961 with so many other variables

involved. Thus, without questioning the data or Yoo's (2017) findings, this study discards any explanation that states there may be a solely contingent element capable of triggering such an intricate process for this case.

Nevertheless, Yoo's data supports this research assumption. Table 19 presents South Korea's exports from 1957 until 1970, broken down into manufacturers and non-manufacturers. It can be observed that the importance of exports to the economy dramatically increased in the 1960s, from total export was less than one percent of GNP in the late 1950s to but rose to 10.2 percent by 1970.

TABLE 19: Korea's exports, 1957-1970 (million current dollars).

| | Total Export | Manufactures | Non-manufactures | Export/GNP (%) |
|------|--------------|--------------|------------------|----------------|
| | 1957 | 22.2 (-9.7) | 4.1 (66.6) | 18.1 (-18.2) |
| 1958 | 16.5 (-25.9) | 2.6 (-37.3) | 13.9 (-23.3) | 0.6 |
| 1959 | 19.8 (20.4) | 2.4 (-7.1) | 17.4 (25.5) | 0.7 |
| 1960 | 32.8 (65.7) | 4.5 (89.2) | 28.3 (62.5) | 1.4 |
| 1961 | 40.9 (24.5) | 6.2 (37.8) | 34.6 (22.4) | 1.8 |
| 1962 | 54.8 (34.1) | 10.6 (69.6) | 44.2 (27.5) | 2.0 |
| 1963 | 86.8 (58.4) | 39.5 (273.7) | 47.3 (6.6) | 2.9 |
| 1964 | 119.1 (37.2) | 58.3 (47.7) | 60.7 (28.9) | 3.9 |
| 1965 | 175.1 (47.1) | 106.8 (83.1) | 68.3 (12.5) | 5.8 |
| 1966 | 250.3 (43.0) | 153.6 (43.9) | 96.7 (41.6) | 6.6 |
| 1967 | 320.2 (27.9) | 215.2 (40.0) | 105.1 (8.7) | 7.1 |
| 1968 | 455.4 (42.2) | 338.2 (57.2) | 117.2 (11.6) | 8.1 |
| 1969 | 622.5 (36.7) | 479.1 (41.7) | 143.4 (22.3) | 8.8 |
| 1970 | 835.2 (34.2) | 646.3 (34.9) | 188.9 (31.8) | 10.2 |

Note: The numbers in the parentheses are annual growth rates in current dollars.

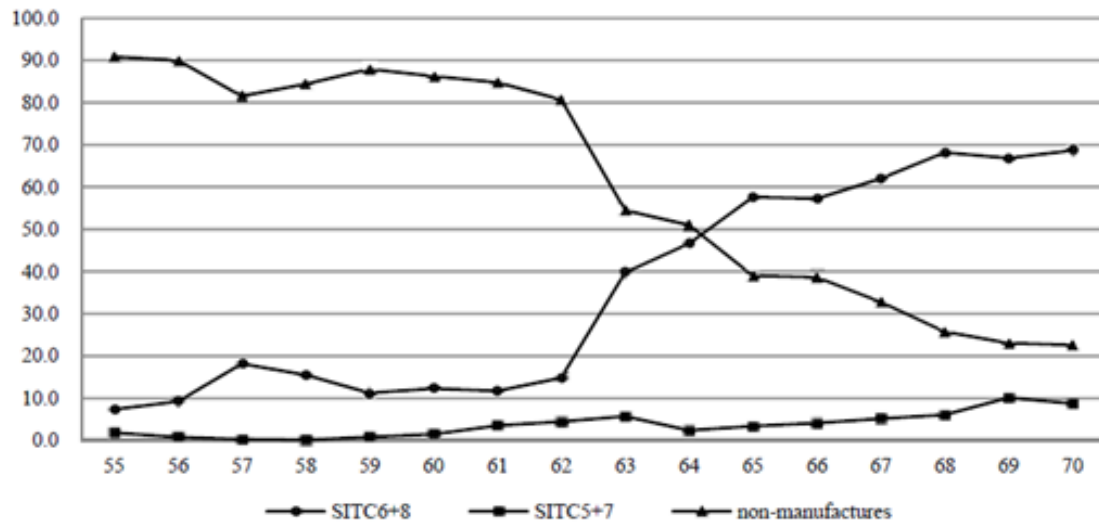
SOURCE: KOSIS, online information service, National Statistical Office, the Korean government. In Yoo (2017).

In addition, manufactures, which accounted for about 10 percent of total exports in the late fifties, rose to 77% by 1970 (FIGURE 16). In Yoo's (2017) words:

From a glance at the Table, it appears as if 1959 should be considered the beginning year of rapid export expansion, for, in that year, total export began to grow at double-digit rates. However, the growth in the year was by chance, led by a 25.5 percent increase in non-manufactures exports, which was not to be repeated in the following years. An unmistakable characteristic of Korea's export expansion exhibited in the subsequent years was that the export of manufactures led it. For this reason, it is not appropriate to consider 1959 as the beginning year. As the table shows, since 1960, manufacturing exports have consistently grown much faster than non-manufactures. Then, should 1960 be

considered the beginning year of the rapid export expansion? Yes, if export of all manufactures should serve as the guide in dating the beginning. However, not all kinds of manufactured goods increased equally rapidly, but a particular kind did. (Yoo, 2017:3)

FIGURE 16: South Korea's export composition, 1955-1970.



SOURCE: Yoo (2017).

Figure 16 decomposes the group manufactures into two subgroups: one comprising SITC (Standard International Trade Classification) 5 "chemicals" and SITC 7 "machinery and transport equipment"; the other comprising SITC 6 "manufactured goods chiefly classified by materials" and SITC 8 "miscellaneous manufactured articles." The subgroup "SITC6+8" consists mainly of labor-intensive goods, while "SITC5+7" is mostly capital-intensive goods that tend to be more sophisticated production technology. The graphic shows that the share of SITC6+8 in total exports increased rapidly since 1962, rising from around 10 percent to 70 percent by 1968. It is beyond doubt that labor-intensive manufactures led to Korea's exports' sudden and rapid expansion in the 1960s. On this ground, 1962 was the take-off that may be called the beginning year of rapid exports expansion.

Next, Yoo (2017) points out that new export items in subgroup SITC6+8 came to represent over half of the total exports from 1967, after rapid growth from nil in 1960 (TABLES 20 and 21).

TABLE 20: Export of new items 1969-1970 (thousand current dollars).

| | New Items | | | | Share in SITC 6+8 (%) | All Others |
|------|-----------|-----------|-----------|----------------|--------------------------|----------------|
| | (in 1961) | (in 1962) | (in 1963) | sum | | |
| 1960 | - | - | - | - | - | 32,827 (65.7) |
| 1961 | 36 | - | - | 36 (-) | 0.8 | 40,878 (24.5) |
| 1962 | 1,358 | 40 | - | 1,398 (3783.3) | 17.2 | 53,415 (30.8) |
| 1963 | 5,384 | 578 | 23 | 5,985 (328.1) | 17.3 | 80,815 (51.3) |
| 1964 | 7,499 | 1,431 | 749 | 9,679 (61.7) | 17.4 | 109,378 (35.3) |
| 1965 | 24,914 | 3,104 | 4,572 | 32,590 (236.7) | 32.3 | 142,491 (30.3) |
| 1966 | 39,269 | 4,851 | 14,175 | 58,295 (78.9) | 40.7 | 191,242 (34.2) |
| 1967 | 68,556 | 10,300 | 26,687 | 105,543 (81.0) | 53.1 | 214,684 (12.3) |
| 1968 | 124,103 | 17,583 | 39,611 | 181,297 (71.8) | 58.4 | 274,100 (27.7) |
| 1969 | 172,474 | 13,676 | 63,543 | 249,693 (37.7) | 60.0 | 372,820 (36.0) |
| 1970 | 233,313 | 11,642 | 104,250 | 349,205 (39.9) | 60.9 | 485,977 (30.4) |

Note: 1) "New items" are footwear, travel goods, and clothing, which began to appear in 1961; synthetic fabrics, umbrellas, and artificial flowers in 1962; woolen fabrics and wigs in 1963. "All others" denotes total export less export of new items. 2) The numbers in the parentheses are percentage growth rates in current prices.

SOURCE: Yoo (2017).

TABLE 21: Exports 1957-1970 (thousand dollars).

| SITC | | 1957 | 1958 | 1959 | 1960 | 1961 | 1962 | 1963 | 1964 | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 |
|--------|---|--------|--------|--------|--------|--------|--------|--------|---------|---------|---------|---------|---------|---------|---------|
| 0 | Food, live animals | 3,114 | 2,456 | 4,118 | 9,701 | 8,948 | 21,847 | 16,506 | 26,350 | 28,190 | 40,478 | 37,928 | 44,491 | 50,279 | 65,537 |
| 1 | Beverage, tobacco | 53 | - | 106 | 451 | 184 | 14 | 250 | 184 | 897 | 6,892 | 7,019 | 8,621 | 14,850 | 14,231 |
| 2 | Crude materials, inedible | 14,591 | 10,583 | 11,713 | 15,816 | 20,598 | 19,372 | 27,742 | 31,441 | 37,033 | 46,679 | 58,005 | 61,506 | 73,042 | 99,973 |
| 3 | Mineral fuels, etc. | 6 | 297 | 657 | 1,147 | 2,209 | 2,760 | 2,579 | 2,488 | 1,899 | 1,505 | 1,772 | 2,298 | 4,837 | 8,761 |
| 4 | Animal, vegetable oils | 35 | 162 | 177 | 199 | 118 | 69 | 92 | 88 | 71 | 137 | 119 | 113 | 68 | 59 |
| 5 | Chemicals | 6 | 10 | 115 | 401 | 550 | 990 | 904 | 630 | 380 | 714 | 2,359 | 3,115 | 9,753 | 11,413 |
| 6 | Manufactured goods, classified by materials | 3,394 | 2,408 | 2,139 | 3,937 | 4,004 | 6,177 | 28,115 | 42,309 | 66,414 | 84,175 | 101,382 | 143,598 | 173,826 | 220,886 |
| 631211 | Veneer sheets | - | - | 11 | 21 | 1,217 | 2,060 | 5,833 | 11,395 | 18,030 | 29,880 | 36,418 | 65,590 | 79,162 | 91,746 |
| 652 | Cotton fabrics | 276 | 899 | 1,425 | 2,443 | 857 | 1,834 | 4,289 | 11,119 | 10,522 | 10,121 | 12,591 | 13,314 | 18,645 | 26,355 |
| 6532 | Woolen fabrics | - | - | - | - | - | - | 10 | 580 | 2,228 | 2,153 | 3,963 | 4,519 | 3,344 | 3,382 |
| 6535 | Synthetic fabrics | - | - | - | - | - | 2 | 471 | 1,040 | 2,507 | 4,402 | 9,853 | 16,653 | 12,646 | 9,962 |
| 7 | Machinery, transport equipment | 56 | 4 | 48 | 88 | 884 | 446 | 4,066 | 2,204 | 5,501 | 9,556 | 14,185 | 24,464 | 53,219 | 61,469 |
| 8 | Miscellaneous manufactured articles | 640 | 148 | 86 | 93 | 791 | 1,954 | 6,400 | 13,198 | 34,487 | 59,197 | 97,238 | 167,005 | 242,344 | 352,496 |
| 83 | Travel goods, handbags | - | - | - | - | 4 | 1 | 2 | 6 | 50 | 417 | 1,209 | 827 | 1,228 | 2,479 |
| 84 | Clothing | - | - | - | - | 2 | 1,119 | 4,644 | 6,614 | 20,713 | 33,385 | 59,208 | 112,232 | 160,770 | 213,566 |
| 85 | Footwear | - | - | - | - | 30 | 238 | 738 | 879 | 4,151 | 5,467 | 8,139 | 11,044 | 10,476 | 17,268 |
| 89941 | Umbrellas | - | - | - | - | - | 1 | - | 72 | 86 | 26 | 50 | 203 | 431 | 799 |
| 89993 | Artificial flowers | - | - | - | - | - | 37 | 107 | 319 | 511 | 423 | 397 | 727 | 599 | 881 |
| 89995 | Wigs, false beards | - | - | - | - | - | - | 13 | 169 | 2,344 | 12,022 | 22,724 | 35,092 | 60,199 | 100,868 |
| | Total Exports | 22,202 | 16,451 | 19,812 | 32,827 | 40,878 | 54,813 | 86,800 | 119,057 | 175,081 | 249,537 | 320,227 | 455,397 | 622,513 | 835,182 |

Source: Bank of Korea, *Economic Statistics Yearbook*, 1960, 1964, 1966; Ministry of Commerce, *Trade Statistics Yearbook*, 1964.

SOURCE: Yoo (2017).

He further points out that the export products at the two-digit SITC or lower-level belonging to the subgroup were almost nonexistent up to 1960, the exceptions being cotton fabrics and veneer sheets:

This suddenly changed. Starting in 1961, new items began to appear in the subgroup, including footwear, travel goods, and clothing that year, and then artificial flowers, synthetic fabrics, and umbrellas in 1962, and woolen fabrics and wigs in 1963. (...) Export expansion of these new items was explosive, incomparably faster than the growth of then-existing export items. Albeit from small bases, in five years, the exports of the new items that appeared in 1961 multiplied 1091 times in current dollar terms; those in 1962 multiplied 257 times while those in 1963 multiplied 1722 times. The most incredible example was clothing (SITC84), export of which grew from 2 thousand dollars in 1961 to 213.6 million dollars in 1970, a multiplication of more than 100,000 times in nine years (...). This bifurcation of export goods with very different export behaviors is a highly unusual phenomenon, hardly expected to occur in the same economy. However, it has thus far received no attention in the literature. (Yoo, 2017: 4)

Yoo (2017) finally notes that the growth rate of these items gradually slowed and approached that of all other items by the end of the decade. These new items led to the sudden and rapid export expansion of labor-intensive manufacturers of SITC6+8. These new export items accounted for less than 1.0% of SITC6+8 in 1961 and more than 60% by 1970. Their share in the total export similarly rose from 0.09% to 41.8% during the same period.

This study argues against Yoo's (2017) statement about South Korea's rapid export expansion in the 1960s due to the expansion of these new items. This research suggests that it is more appropriate to take 1961 as the year of the take-off of the country's rapid export expansion, launching the transformation change from an ISI orientation to an EOI. Therefore, it adopts a conservative stance regarding the timing due to the conviction on PCH's EOI intentions since the very moment the coup government took office, and even before, concerning South Korean EOI's shift. Adopting this time frame, it seems correct to consider 1965 as the turning point.

To sum it up, in contrast to the view that South Korea's rapid export expansion pattern in the 1960s was due to the expansion of those new items mentioned above, this research argues that such outcome is evidence that the transition to an export-led economy is significant. However, it was not a deep cause as there were other driving factors such as the institutional mechanisms that produced this emerging export pattern, the State as an inducer and monitor of the transformational industrialization process, the international context, and the supportive responses of business and society to PCH's authoritarian regime economic in a nationalist program.

4.2.4. Geopolitical vector

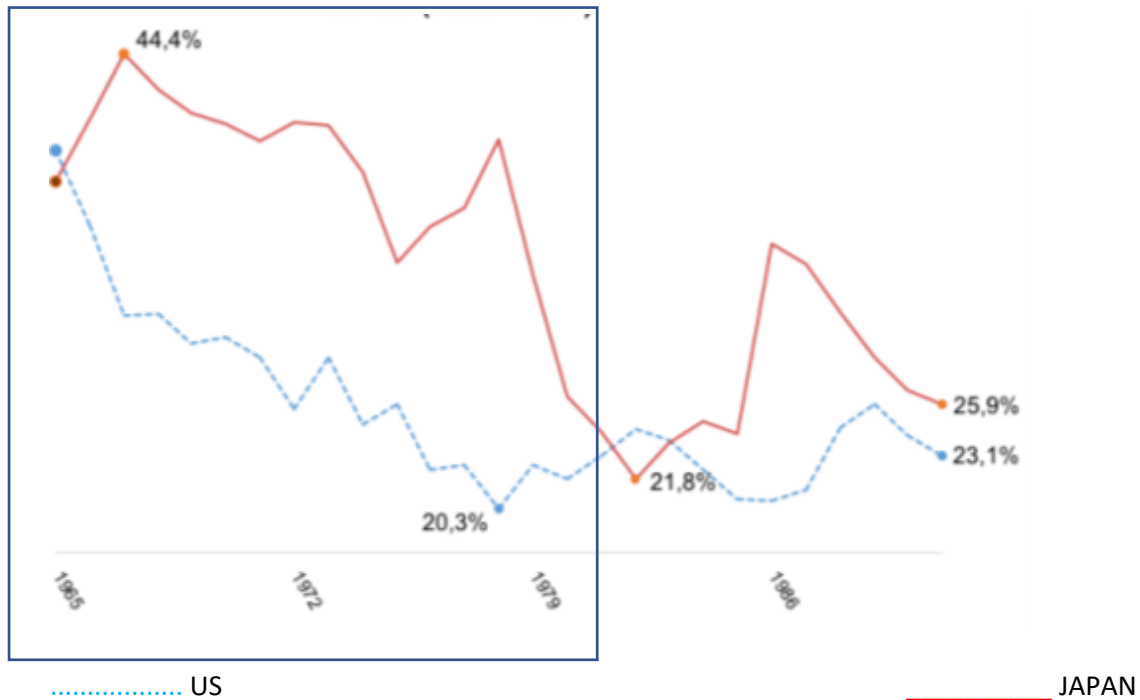
4.2.4.1. *The international context*

The geopolitical position occupied by South Korea in the Cold War is relevant to understanding its economic position in an international environment, constrained by two hostile political-ideological-economic ideologies competing for global dominance. Military battles to guarantee political dominance over nations in the period after WWII saw reflected these bipolar geopolitics, such as the Indochina War (1946 - 1954), the Vietnam War (1957 - 1975), the Afghanistan War (1979 - 1989), the Nicaragua Civil War (1979 - 1990) and the Korean War, from which the separation of the former country into North and South Korea resulted. The United States intensified its participation in the Korean War because the conflict could trigger significant instability in the region and harm its allies - mainly Japan. Security became paramount, regardless of the underlying economic interests, as states Song (2003):

Many economic decisions in Korea have been made based on security rather than economic considerations." This effect was so striking in Korean culture that it can be identified in public discourse. "The word *anbojeil* ('security first') and the phrase *anbojok chawon* ('the security dimension') have been popular catchwords among policymakers and national leaders. (Song, 2003:231)

The Cold War profoundly influenced South Korea's foreign economic relations. Foreign aids and the consolidation of the US and Japan as its main trading partners (FIGURE 17) initially shaped South Korean economic and productive profiles. Woo-Cumings 1998, 1999) claims that South Korea's development strategy in the post-Korean War period - import substitution, industrialization via export, and the onslaught under heavy and chemical industry — emerged in reaction to the Cold War geopolitics that shaped relations between Korea and the capitalist core.

FIGURE 17: Participation of the US and Japan in South Korea import (1965-1991).



SOURCE: Korean Statistical Information Service (2015).

Kim (2011) stated that security cooperation led to intimate political relations between South Korea and the US during the Cold War. The relative benefits of South Korea's military alliance were not confined solely to the area of security but extended to the economic realm. Therefore, close diplomatic relations between these two countries in the security and economic fields were decisive for the South Korean industrialization's strategy, mainly for PCH's private EOI agenda with American money.

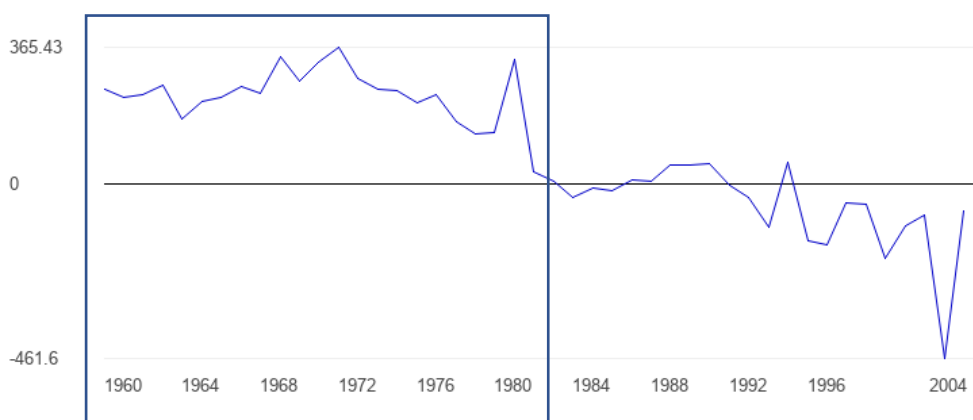
After the country's reconstruction period in the 1950s, which counted on a massive contribution of American financial aid, the core of the Cold War conflict moved to Indochina, and Korea continued to benefit from its alliance with the capitalist axis. During the Vietnam War, more specifically between 1966 and 1973, South Korea was present, supporting American troops, with more than 300,000 South Koreans sent by the end of the war (Woo-Cumings, 1998).

This effort was duly rewarded with economic and military aid. In addition, the South Koreans also participated in the reconstruction of Vietnam, sending technicians, workers, and builders. Cumings (1984) states that the Vietnam War played the Korean War role for Japan. It accounted for as much as 20 percent of foreign exchange earnings in the late 1960s. South Korean participation in the Vietnam War thus fulfilled two tasks: to consolidate the alliance with the United States and open new markets for South Korean products and firms.

The Economic Cooperation Administration, the North American administrative arm of the Marshall Plan, acted more intensely in South Korea than anywhere else in the world. USAID program sent its best technicians to Seoul to help shape its economic plans. Japan and Taiwan also received massive resources and technical and military support, which helped create a regional dynamic for military cooperation and economic development. The regional aspect of the Cold War is vital when considering historical conflictive Korea-Japan relations. Geopolitical security brought the US and South Korea to play ball together, not only for geopolitical security reasons but also thanks to the dynamics to fulfill commercial interests implemented by the US in the region and PCH's pragmatism to fast-track South Korea's industrialization. The United States underwrote the export expansion first of Japan, and later of the rest of the East Asian group, as part of a broader security strategy involving the entire region (Rodrik, 1994).

When Korea adopted an import-substitution strategy in the 1950s, that strategy was a clear answer to this regional economic dynamic formed from American influence. With the Japanese recovery and the cooling of the conflict on the South Korean peninsula, financial aid volumes began to decline (FIGURE 18), which poses an extra reason to PCH's will to change this ISI model and start industrialization with a focus on exports. Woo-Cummings (1998) stated that the export-led program in the 1960s was more minor the result of American technical advice than a function of declining US aid. To this statement, this study must add: and PCH's forever pragmatic and visionary will.

FIGURE 18: South Korea: Foreign aid and official development assistance received, 1960 – 2004.



SOURCE: https://www.theglobaleconomy.com/South-Korea/foreign_aid/

The average value for South Korea during that period was USD91.72 million US, with a minimum of USD461.6 million in 2003 and a maximum of USD365.43 million in 1972. The latest value from 2004 is USD71.54 million. For comparison, the world average in 2004 based on 167 countries is USD389.15 million.⁹⁹

At a last intriguing observation to this geopolitical context, according to Woo-Cumings (1998, 1999), Rhee was aware of the American plan to solve two intractable problems at once – the revival of the Japanese economy and the maintenance of viability in the two Cold War wards – by linking them in a regional market, which meant recycling US aid dollars through Taiwan and South Korea to buy goods from Japan. The troubled geopolitical situation of the 1950s and 1960s brought South Korea closer to the US and provided an environment of economic flux between these two countries. Derived from this situation, and quite paradoxically, we must say, a high degree of permissiveness for highly implementing protectionist development strategies by PCH's administration may be observed.

4.2.5. Ideational vector

4.2.5.1. Nation-building in South Korea

Nation-building in modern South Korea went back to the end of WWII and the Korean War. It was a combination of not always convergent US and local military and businesses interests. The question of nation-building for the US is directly tied to the rise of the US as a world power in the late nineteenth century. In the early beginnings of the twentieth century, the US tried in the Philippines and immediately after WWII tried it in Germany and Japan. During the Cold War period, it became a solid foreign policy. It was tried in a range of different places, not always successfully either for the recipient or the implementation agent.

American nation-building actions worked well mainly according to fostering US interests in the cases of Germany and Japan at the end of WWII, combining these interests with the legacy

⁹⁹Net official development assistance (ODA) consists of disbursements of loans made on concessional terms (net of repayments of principal) and grants by official agencies of the members of the Development Assistance Committee (DAC), by multilateral institutions, and by non-DAC countries to promote economic development and welfare in countries and territories in the DAC list of ODA recipients. It includes loans with a grant element of at least 25 percent (calculated at a rate of discount of 10 percent). Net official aid refers to aid flows (net of repayments) from official donors to countries and territories in part II of the DAC list of recipients: more advanced countries of Central and Eastern Europe, the countries of the former Soviet Union, and certain advanced developing countries and territories. Official aid is provided under terms and conditions similar to those for ODA. Part II of the DAC List was abolished in 2005. The collection of data on official aid and other resource flows to Part II countries ended with 2004 data. Data are in current U.S. dollars (https://www.theglobaleconomy.com/South-Korea/foreign_aid/)

of a well-established democratic system within about five years.¹⁰⁰ Despite much of what was accomplished, it is necessary to say that in these two cases, there was a base on which to rebuild the nation since Germany had experienced a previous democratic environment at the end of WWI, and both countries were very advanced industrially. Interesting, however, whether neither of these conditions was present in the South Korean case, it became, due considerably to American funding and adversely to American primary guidance and interests, the US most successful nation-building case.

The reasons beneath this great success rest, argues this study, more in a detailed understanding of what nation-building meant in the minds of the military group that seized power in 1961 under PCH's leadership than in what it meant in the minds of the US government's representatives. These two groups' ideas, purposes, and methods did not converge. The US abundant fundings that were made available for the South Korean coup government to rebuild the country and pursue American nation-building interests were justified in the name of democracy but were used as a material base to pursue a different kind of nation-building process, totally anchored in autocracy and an economic nationalist ideology by the South Korean government during PCH's period.

During the Cold War, the US tried to carve different parts of Asia, Africa, and Latin America into free-world allies that could assist the US in the struggle against communism. So was the rhetoric and still valid today although in crescent discredit. The US believed that by providing the right resources and ideas, they could allow economic development and democratization under proper US parameters and interests, mainly in regions where neither of these two

¹⁰⁰ After WWII, when Western democracies defeated totalitarian regimes, pluralist democracy spread. Japan and Germany are part of this context. After the Allied victory, the US army occupied Japan from 1945 to 1952. The declared US geopolitical and economic agenda saw the occupation as a long-term means to help Japan and Germany to become democratic countries. Thus, in 1947, the authoritarian constitution of the Meiji Era in Japan was replaced by a democratic constitution. Japan's political system then was reformed, becoming a constitutional democracy. Under the principle of separation of powers, the activities of the national government were formally divided into the legislative, judiciary, and executive branches, with the emperor, representing the unity between state and population and acting as head of state on diplomatic occasions. The power granted by popular sovereignty was concentrated in Japan mainly in the Figure of the Prime Minister and other elected members of the Diet. As for Germany, the US geopolitical and economic interests saw the country as a necessary barrier against the Soviet advance and a dynamo to the stabilization of what would come to be configured as the European bloc. Thus, the American vision contemplated the formation of a geopolitical-economic tripod with Germany in Europe, Japan in East Asia, and the US in the Americas. Germany then became or instead was turned into a federal constitutional democracy, whose political system was created with the constitution of 1949, called Grundgesetz (Basic Law), having a parliamentary system in which the head of government, the Bundeskanzler (Chancellor), is elected by parliament. (Note from the Author).

phenomena had made footholds before. According to Brazinsky (2009), South Korea was the most extensive, costly, and arguably successful US nation-building project.

South Korea was one of the few countries that emerged from formal colonialism after WWII as a wealthy democracy by the end of the twentieth century. This happened, argues this study, because of the interaction of some primary causes, and among them stands a reformulated nation-building proposition. Certainly, the State intervention in the economy as to the elaboration and implementation of sound socio-economic policies was paramount, which sought to combine, State and business interests within a substantial "project of a big nation." Also certain were the Cold War geopolitical circumstances in which the past and present international context determined the success of the development trajectory verified in South Korea during the 1960s and 1970s as a late industrialized country and the role played by the US in this process. Next, relevant was the existence of a liberal-like industrial productive system at the same time competitive, subsidized, and coerced, which was designed and implemented through very particular State-business arrangements and used to foster the implementation of an EOI model backed up by consistent heterodox policies of stimulating market mechanisms in substitution of the ISI model and strict liberal market ones.¹⁰¹ However, essential for the project was an American nation-building agenda that was locally transformed and appropriated by the South Korean government under its long-term interests, aligned with a set of economic nationalist policies implemented mainly during PCH's period.

According to Brazinsky (2009), when the US firstly occupied the Southern part of Korea in 1945, the prospects for the implementation of a nation-building-American-oriented process there did not seem very bright since, for the previous 35 years, there had not been any Korea as it had been a Japanese colony. Moreover, Japanese imperialism had fostered deep social divisions between conservatives and liberals in Korea. There were really few real liberalists, moderate democrats in the country who could use the US as a base for liberal democratic nation-building. Furthermore, from an economic perspective, during the colonial period, Japan, Korea, and parts of China had functioned as a closed net and as a closed economic unity meaning that when WWII ended and with the demise of Japanese imperialism, South Korea was suddenly cut

¹⁰¹ The liberal approach, for instance, only considers the aspects related to EOI and the existence of liberal mechanisms in its formulation, disregarding any sort of coercion and incentives presented in the state-business relationship during PCH's period. As to the ideational approach, as we call it here, nation-building commonly is not considered related to the economic nationalism discourse since it is seen only as an external American enterprise, deprived of any South Korean economic nationalism ideology capable, as it was the case, to distort and accommodate the American nation-building agenda to its own.

off from what became North Korea. Consequently, the southern part of the peninsula and the whole region faced severe economic problems.

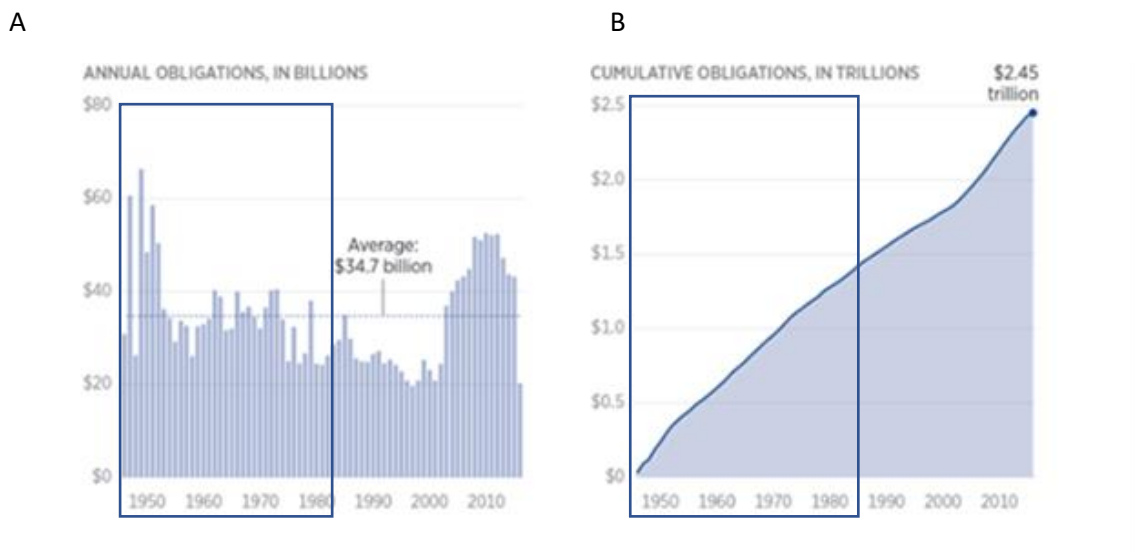
Nevertheless, says Brazinsky (2009), for geopolitical reasons mainly, the US became committed to implementing a nation-building process in this troubled country after the liberation. However, from 1953 onwards, this commitment deepened due to the Korean War being put on a permanent hold through an armistice. Thus, even before the Korean War broke up, between 1945 and 1948, the US military forces occupied Southern Korea. They set a military government in the area, meaning that establishing a stable anti-communist regime was key to keeping the US's credibility as a hegemonic country. The US foreign policy for the region, therefore, not only played an essential role in the division of the peninsula but also the creation of a separate South Korean State through a nation-building process, which was oriented to cope with the American geopolitical and economic agendas.

The loss of American lives in the Korean War amplified the US commitment to building a thriving South Korean State. Such a significant number of American lives were lost during the conflict.¹⁰² Made a failure in this US geopolitical strategy towards South Korea's nation-building project an impossible burden to carry on. Besides, the US believed that South Korea would play a vital role in the Cold War for being a divided country where a single national people was segregated from each other, representing the most robust political and economic ideologies of the period: communism and capitalism. Therefore, for the US, it would make South Korea a test case in which relative merits of the two systems could be demonstrated to the peoples of the developing world, as much as the US believed that a divided Germany would demonstrate the relative virtues of capitalism and communism to the peoples of Europe (Brazinsky, 2009).

¹⁰² The balance of the military confrontation was disastrous: around two million soldiers and 1.5 million Korean civilians were killed, wounded, or reported missing, 36,574 US soldiers died, and around 102,000 were wounded in the fighting (<https://www.archives.gov/research/military/korean-war/electronic-records>; https://dcas.dmdc.osd.mil/dcas/pages/report_korea_sum.xhtml). The figures, however, are not precisely related to Koreans, civilians and soldiers, and Chinese soldiers. According to American estimates, about 920,000 Chinese soldiers had been killed or wounded during the war. After adding North Korea's casualties to this number, they believe that the Chinese and North Koreans suffered a total of 1.42 to 1.5 million casualties. The Chinese Forces and their Casualties in the Korean War: Facts and Statistics, Xu Yan & Li Xizo-Bing (Translator), Pages 45-58, Published online: 25 May 2017, <https://doi.org/10.1080/1043643X.1993.11876905>. <https://www.tandfonline.com/doi/abs/10.1080/1043643X.1993.11876905?journalCode=ytr19#:~:text=According%20to%20the%20American%20estimates,1.42%20to%201.5%20million%20casualties>. Accessed on 10/16/21.

As a result, the US began pouring hundreds of millions of dollars into South Korea's economy in the hope of turning the country into a prosperous democracy bound to the US geopolitical and economic interests. In the 1950s and 1960s, South Korea received substantial aid, mainly from the US but also from other donors (FIGURES 18, 21 and 22¹⁰³), economic and military, that perdured till the mid-1970s when it started to decrease (In Kim & In Vogel, 2011), for various reasons, as it decreased in general until the years 2000 (FIGURE 18 above and FIGURE 19 A). Post-war South Korean economic development is, in part, due to "well-managed" development aid, says the Word Bank (1993). However, this "well-managed" must be clarified since the South Korean government successfully utilized this financial assistance to overcome various domestic challenges through State-led projects not always under American interests, designed to spur a long-term economic and technological development (Kim J., 2011; Evans, 1995). According to South Korean government estimates, the country received USD 12.7 billion between 1945 and the late 1990s (OECD, 2008)¹⁰⁴ (FIGURES 19 A and B).

FIGURE 19: A and B: US Foreign Assistance Spending on South Korea since 1946 through 2016.



NOTES: Figures are adjusted for inflation to 2015 dollars. Figures for 2016 are incomplete.

SOURCE: US Foreign Aid Explorer, Data Download Country Summary, <https://explorer.usaid.gov/data.html> Accessed on 09/06/2021

Although the United States assisted foreign countries before World War II, establishing and funding large-scale foreign aid programs for security, humanitarian, and development

¹⁰³ Available at: <https://www.heritage.org/global-politics/report/overhaul-americas-foreign-assistance-programs-long-overdue> Accessed on 08/31/21

¹⁰⁴ OECD (2008) Development Cooperation of the Republic of Korea: DAC Special Review, (Paris: OECD), <http://www.oecd.org/dac/peer-reviews/42347329.pdf> (accessed 02/04/21).

purposes began after 1945. The broad goals of these programs were to assist people in crises, enhance market opportunities for American products and investments by catalyzing economic growth in developing countries, and promote US national security and foreign policy objectives by supporting allies and countering adversaries.¹⁰⁵

However, lack of coordination among these programs prompted President Kennedy to deliver a "Special Message to the Congress on Foreign Aid" upon taking office in 1961. In it, he decried America's foreign aid programs as "largely unsatisfactory and unsuited for our needs and the needs of the underdeveloped world," and noted that:

no objective supporter of foreign aid can be satisfied with the existing program—actually a multiplicity of programs. Bureaucratically fragmented, awkward, and slow administration is diffused over a haphazard and irrational structure covering at least four departments and several other agencies. The program is based on legislative measures and administrative procedures conceived at different times and for different purposes. Many are now obsolete, inconsistent, unduly rigid, and thus unsuited for our present needs and purposes. Its weaknesses have begun to undermine confidence in our effort both here and abroad."

¹⁰⁵ The history of US government assistance to foreign countries stretches back to the 19th century. President Thomas Jefferson, for instance, supported smallpox vaccinations for Indian tribes along the route of the Lewis and Clark expedition, and Congress approved a relief fund "to address the consequences of the struggle for independence of Domingue, now Haiti. Assistance to enhance US national security and economic interests has a similarly long pedigree. The massive investment by the United States beginning in 1904 to build the Panama Canal and facilitate a two-ocean navy could be viewed as the first large American foreign aid infrastructure project. Herbert Hoover's skillful management of humanitarian food aid programs in Europe during and after World War I ultimately propelled him into the White House. On a more negative note, early efforts by the US and other Western experts in the 1920s and 1930s to help countries such as China to modernize established the template for a top-down authoritarian approach to development programs. In 1934, President Franklin D. Roosevelt created the Export-Import Bank of the United States, then known as the Export-Import Bank of Washington, initially facilitating trade with the USSR. This bank was a foreign policy extension of interventionist New Deal economic policies whose aim was to aid in financing and facilitate exports and imports and the exchange of commodities between the United States and other nations or the agencies or nationals thereof. US foreign assistance programs for security, humanitarian, and development purposes were burgeoned during and after World War II. These included the Lend-Lease Act of 1941; the post-war Marshall Plan, through which the US provided billions of dollars to help rebuild Western Europe; and the establishment of the World Bank system. The success of the Marshall Plan encouraged the US government to replicate it in various ways to advance US interests. President Harry Truman created the Point Four Program in 1950 to assist developing countries. It was a major component of the US "containment" policy to counter the spread of communism. The goal was to deter the expansion of Soviet influence during the Cold War by promoting capitalism and creating trading partners for the US through increased economic growth that would lead, according to the propaganda, to higher standards of living in developing countries. Other assistance programs were established or expanded during this period. USAID precursors, such as the International Cooperation Administration, the Mutual Security Agency, and the Foreign Operations Administration. New humanitarian aid programs included the Food for Peace Program (Public Law 480) enacted under President Eisenhower in 1954. <https://www.heritage.org/global-politics/report/overhaul-americas-foreign-assistance-programs-long-overdue>.

(President John F. Kennedy, "Special Message to Congress on Foreign Aid," March 22, 1961, <http://www.presidency.ucsb.edu/ws/?pid=8545> (accessed 08/31/21)).

This criticism resulted in the drafting and enactment of the Foreign Assistance Act of 1961, which consolidated many of the existing foreign assistance programs and the establishment by executive order of USAID.¹⁰⁶ The Foreign Assistance Act of 1961 remains the legislative framework for many of America's assistance programs to this day. A 1989 report of the House Committee on Foreign Affairs found 33 objectives in the Foreign Assistance Act; the 2009 Oxfam report found 140 priorities and over 400 specific directives. The FAA has not been reauthorized, i.e., updated, since 1985, when the Cold War was alive and well and communism the principal foreign threat for the US.¹⁰⁷ The result is that America's foreign assistance programs today are more fragmented and diffuse than they were in 1961. In cases where the US does not clarify that its assistance is intended to garner support for US political and security priorities, it should not be surprised when the recipients fail to make that connection.¹⁰⁸

Moreover, policymakers should not be surprised if improved economic growth rates or other outcomes targeted by American foreign aid are not realized if the real purpose of that economic assistance was mainly to support US political or security interests—regardless of how it was packaged. The PCH government intentionally or did not notice this fragmentation and coordination fragility and took advantage of it to make good use of the American aid to foster a long-term development program based on technological advances.

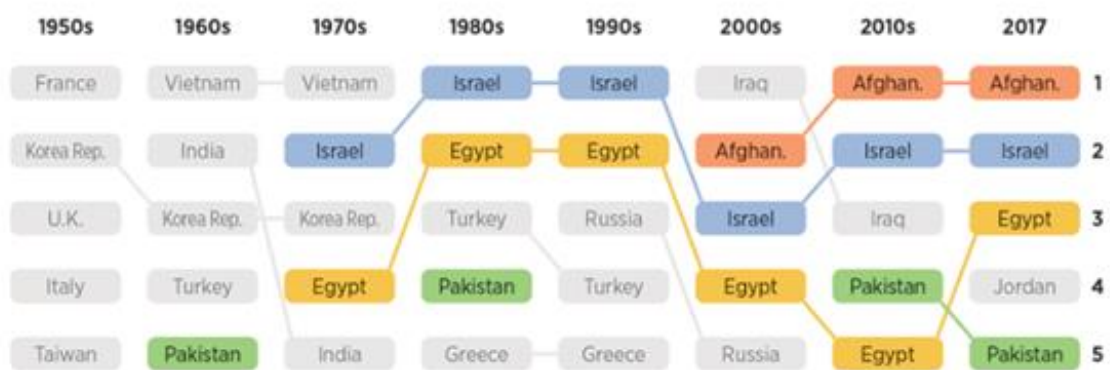
¹⁰⁶ Under the authority of Section 101 (b) of the Foreign Assistance Act of 1961 (75 Stat. 424) and section 301 of title 3 of the United States Code, President John F. Kennedy established USAID by Executive Order 10973 of November 3, 1961, titled "Administration of Foreign Assistance and Related Functions." Section 102 (a) of that executive order says that the Secretary of State "shall establish an agency in the Department of State to be known as the Agency for International Development (hereafter in this Part referred to as the Agency)." US Agency for International Development, Office of the Inspector General: Semiannual Report to the Congress, <https://oig.usaid.gov/sites/default/files/other-reports/sarc0903.pdf> (accessed 03/10/18); Foreign Assistance Act of 1961, Public Law 107–296, <https://legcounsel.house.gov/Comps/Foreign%20Assistance%20Act%20Of%201961.pdf> (accessed 03/10/18); and John F. Kennedy, "Administration of Foreign Assistance and Related Functions," Executive Order 10973, <http://www.thecre.com/fedlaw/legal20/eo10973.htm> (accessed 02/10/21).

¹⁰⁷ George M. Ingram, "Aid Effectiveness: Reform in the New Administration and Congress," Brookings Institution Working Paper No. 97, October 2016, https://www.brookings.edu/wp-content/uploads/2016/11/global_111716_aid-effectiveness.pdf (accessed 08/31, 2021).

¹⁰⁸ An example of this disconnect is illustrated by the fact that, among the top 30 aid recipients from 2003 to 2015, only Israel and Micronesia voted with the US most of the time in the UN General Assembly during those years. Per calculations by Heritage Foundation analysts using data from "Foreign Aid Explorer" <https://explorer.usaid.gov/data.html>, and information from US Department of State, "Voting Practices in the United Nations," <https://www.state.gov/p/io/rls/rpt/> (accessed 08/10/21).

There are hundreds of purposes for aid in US law that guide allocations. This multitude creates confusion, and analysis is best accomplished by stepping back and looking at overarching purposes broadly categorized as 1- humanitarian assistance, 2- political and security assistance, and 3- economic assistance. These three categories of assistance are funded by the annual International Affairs budget that funds the State Department, USAID, and other foreign affairs agencies. The Department of Defense budget funds a fourth category of assistance linked more directly to US military operations and strategic objectives.¹⁰⁹

FIGURE 20: Familiar Recipients of US Foreign Assistance.



SOURCE: US Agency for International Development. Foreign Aid Explorer. The Official Record of US Foreign Aid, <https://explorer.esaid.gov/data.html> Accessed on 09/05/21.

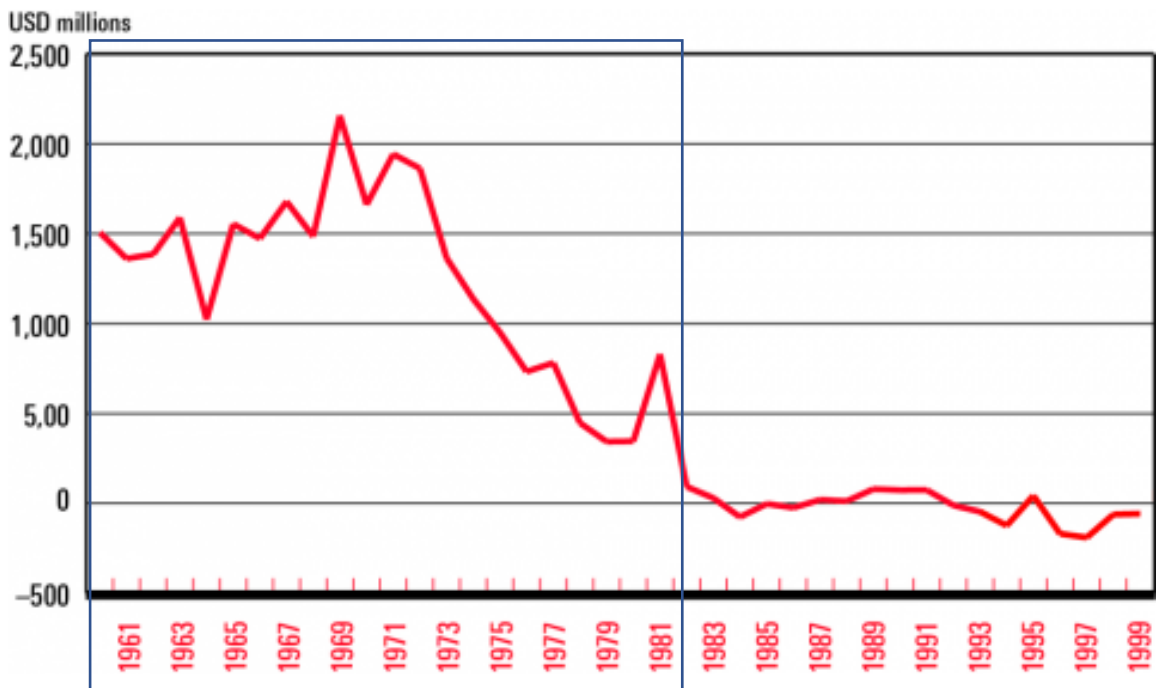
¹⁰⁹ Available at: <https://www.heritage.org/global-politics/report/overhaul-americas-foreign-assistance-programs-long-overdue> Accessed on 08/31/21

FIGURE 21: Net ODA (Official Development Assistance) Flows to South Korea, by Donor (Constant 2010 USD).



SOURCE: OECD, 2012. OECD (2012) European Union: Development Assistance Committee (DAC) Peer Review 2012, (Paris: OECD), <http://www.oecd.org/development/peer-reviews/50155818.pdf> (accessed 4/2/21).

FIGURE 22: Total Net ODA (Official Development Assistance) Flows to South Korea (Constant 2010 USD).



SOURCE: OECD, 2012. OECD (2012) European Union: Development Assistance Committee (DAC) Peer Review 2012, (Paris: OECD), <http://www.oecd.org/development/peer-reviews/50155818.pdf> (accessed 4/2/21).

Cummings (2005), in a contribution to the understanding of the US role throughout this South Korean nation-building process, shows the civil origins of the war and explores the processes of State formation in North and South Korea, pointing out that in South Korea, the US chose to side with South Korean conservatives at the expense of the indigenous mass-based movement. This resulted in a highly autocratic anti-communist State that by 1950 was destined for war with its Northern rivals. By the beginning of 1950, South Korea was already a despotic and impoverished country, and the war had just exacerbated these conditions.

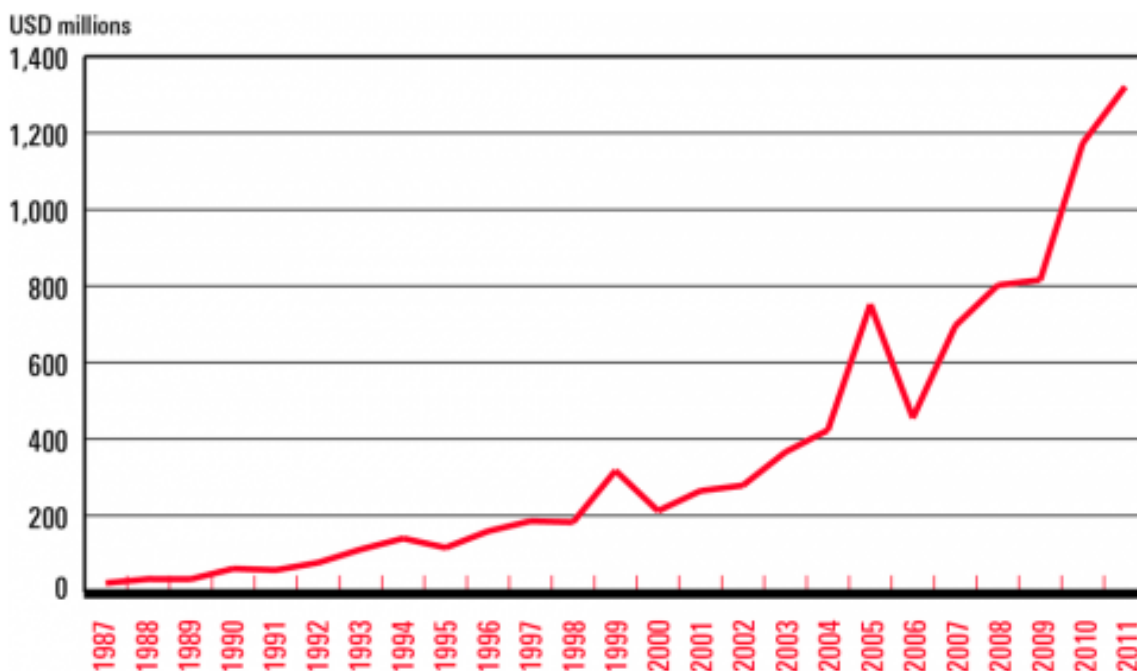
However, regardless of the autocratic State and even considering that something good went on in South Korea in the immediate years ahead 1953 with the end of the war and that the country moved ahead economically, a significant vulnerability persisted, since to the extent that the country's economy relied majorly on one single commodity, rice, and to surpass this problem it was necessary to overcome this economic dependence on a single commodity by changing the economic structure as well as to create strong institutions to support this change.

Cummings' analyses still beg how South Korea got from this autocratic impoverished country that existed at the time of the Korean War to today's vibrant and prosperous democracy and the fundamental role the US played in this process. Whether the donor's assistance and strict market mechanisms comprise the fundamental aspects of such a success, or if other external elements intervene remains an open question. Even more impressive, as state Marx and Soares (2013),¹¹⁰ is to observe how rare it is that a poor developing recipient in the 1950s, 1960s, and 1970s like South Korea became a significant donor in such a short period, and even becoming a member of the Development Assistant Committee (DAC), in resemblance to the Japanese and other European developed countries' trajectories. The trajectory and the numbers are impressive¹¹¹ (FIGURE 23).

¹¹⁰ South Korea's Transition from Recipient to DAC Donor: Assessing Korea's Development Cooperation Policy, Axel Marx and Jadir Soares, *Articles and Debates*, 2013 p. 107-142 <https://doi.org/10.4000/poldev.1535>

¹¹¹ Following decades of sustained economic growth, Korea became a member of the OECD in 1996 and, a decade later, applied to become a member of the OECD-DAC. Upon Korea's request, in 2008, the DAC conducted a review of Korea's development cooperation regarding Korea attaining DAC membership. This review provided Korea with a set of recommendations intended to improve several aspects of its development cooperation system, including the creation of specific legislation to govern its Official Development Assistance (ODA), adjusting its aid architecture, formally and publicly committing to ODA targets, and integrating its grants and loans into one, clear country-level strategy, among others (OECD,

FIGURE 23: Korean ODA (Official Development Assistance) – Net Disbursement (Constant 2010 USD)



SOURCE: OECD, 2012. OECD (2012) European Union: Development Assistance Committee (DAC) Peer Review 2012, (Paris: OECD), <http://www.oecd.org/development/peer-reviews/50155818.pdf> (accessed 4/2/21).

South Korea's involvement in development assistance, however, began far before its DAC membership, with the provision of technical cooperation in the late 1970s, during which time Korea transferred its own development experience to developing countries (CHUN et al., 2010). In the late 1980s, Korea made a more substantial effort to broaden and increase its assistance programs, resulting in the creation of the Korea Eximbank's Economic Development and Co-operation Fund (EDCF) in 1987 and the Korea International Co-operation Agency (KOICA) in 1991 (OECD, 2008).¹¹²

The answer to such a development puzzle is not simple and hardly conforms to a pure and single explanatory line. South Korea, in many ways, exemplified what has been one of the most bizarre ironies of the twentieth century, as Brazinsky (2009) puts it. However, it is not an isolated case. Most of the few post-colonial States that did succeed in establishing liberal democracies

2008). In June 2009, the DAC visited Korea to verify whether its development cooperation program met DAC standards, and, on November 25, the DAC welcomed Korea as a new member.

¹¹² OECD (2008) Development Cooperation of the Republic of Korea: DAC Special Review, (Paris: OECD), <http://www.oecd.org/dac/peer-reviews/42347329.pdf> (accessed 09/09/2021).

by the end of the twentieth century were carved countries that autocrats had governed for much of the Cold War. He argues that the very success of these countries such as South Korea and Taiwan in having achieved outstanding development outcomes and consolidated democracies lies in the very fact that they did them because they did not become democracies right away and, instead, they underwent the transition from a developmental autocracy towards liberal democracy. In the South Korean case, the nation-building process implemented by the US was subverted as to its principles and guidelines, redirecting part of the resources to fulfill a DS project of economic nationalism content.

The term developmental autocracy describes South Korea from 1963 onwards, beyond PCH's assassination and extending until the democratization in 1987. According to Brazinsky (2009), a developmental autocracy is a political regime that rules a country where the government is committed to maintaining stability, developing the economy, and building institutions before surrendering power to a democratic one. Thus, it seems that this is a good description of the governments that ruled South Korea from the 1960s and 1970s until the mid-1980s. The same can be said for the Brazilian case between 1964 and 1985.

In both cases, under a democratic perspective, the outcomes, yet remarkably outstanding as they were in the South Korean case, cannot be used to justify the authoritarian regimes installed. These were brutal dictatorships, yet, unequivocally, helped to foster economic development (Brazinsky, 2009). Consequently, argues this study, regardless of the distinct outcomes verified in South Korea vis-à-vis the Brazilian ones, restrict subnational political participation as in Brazil or distorted elections as in South Korea during this period, it is undeniable that these developmental autocracies helped to foster a developmental agenda, enlarge the middle-income social segment, and create new institutions. Whether these improvements contributed to the establishment of future democratic regimes in these two countries by the mid-1980s is yet to be evaluated.

Even though the concept of developmental autocracy seems to provide a good description of what happened in South Korea, it does not explain why it happened so successfully since many autocratic governments came into power in the post-colonial world during the years after WWII and failed in making the transition to become democracies, even less rich and high-income industrialized democracies as it was the South Korean case. To answer to why it happened in South Korea the way it did and what were the primary causes has been the objective of this chapter and the answer appears to be found partly in the US nation-building initiatives taken under specific historical circumstances and partly in some others South Korean initiatives taken

during PCH's regime which were implemented under an economic nationalist perspective. How these initiatives were balanced and performed was a determinant for the outcomes in later decades.

The US did not seek to create a developmental autocracy in South Korea. Once they had to face the American intentions with PCH's political ideology, they did not necessarily have a concrete plan for converting it into a democracy (Brazinsky, 2009). Historical circumstances led to the evolution of the events. The US was willing to support governments that assured US security objectives by promoting rapid economic development throughout the Cold War. Following this path, the US supported Rhee's regime between 1948 and 1960, regardless of his unsatisfactory government but mainly due to his unwavering commitment to stop the spread of communism in South Korean territory. As to PCH's regime in the 1960s and 1970s, the US support for its initiatives was due to its developmentalism character, even if its long-term initiatives did not always converge with short-term US economic interests.

It seems, however, that those ambiguous directives were given to the academic and media sectors during PCH's regime, producing a breach through which repressed democratic feelings sometimes spurted. On the one hand, even when strongly supporting the autocratic regime, the US also sought to encourage democratic manifestations coming from institutions they helped to create and promote, such as schools and media organizations; on the other hand, PCH's directives were quite restrictive and authoritarian, mainly over student and media questionings, even if publicly the government justified or presented them as a temporary necessity for the achievement of the common good. Brazinsky (2009) states that independently of the result of this dispute of narratives, it favored PCH's authoritarian developmental project during the 1960s and 1970s and helped create a set of ideas that could at least raise the possibility for the democratization of South Korea years later. This was also the case in several other areas and projects where the US interest was kindly and carefully set aside or postponed by PCH's directives, even when financed with American money. PCH's nation-building profile conflicted with the American nation-building designed for the region, particularly for South Korea. Nevertheless, it was in motion.

Therefore, looking at US initiatives in South Korea in isolation may provide us with a partial, but mistaken, explanation for this puzzle, since the US deployed a combination of support for conservative dictatorships and economic and cultural developmentalism in many other underdeveloped and developing countries, ranging from Vietnam to Iran during the Cold War, reaching far less success.⁵⁵ What made South Korea different was the re-orientation and

adaptation that PCH's governments could graft into the US initiatives, both anchored on economic nationalist policies. To convince the American government to put minimum obstacles to this nationalist agenda, PCH's government made frequent use of any real or not so real communist threat to the country or/and to the region, confronting it to the geopolitical or economic advantages the US could receive for supporting PCH's autocratic developmentalism (In Kim & In Vogel, 2011).

This South Korean way of doing geopolitical business, so to speak, can be traced back in time, as South Koreans seem to have acquired hundreds if not thousands of years of experience in adapting the philosophies and ideologies of powerful nations to their own needs and values, and survival, as when they were a Chinese tributary State or a Japanese colony. During the Cold War and under PCH's governments, this adaptation capacity was amplified based on the previous lessons learned from Japanese colonialism. During this period, the Japanese exposed Koreans to a highly authoritarian economic development model, which continuously influenced their leadership when facing American nation-builders views. Korean conservatives and PCH himself are examples of this influence. Therefore, we argue, pragmatically, PCH's government knew how to induce and take advantage of the US tolerance to support autocratic governments that could ensure stability and growth even if not totally under American interests and parameters. Besides, argues this study, the legacy of Japanese colonialism helped to facilitate a specific anti-external nation-building environment in South Korea, either communist or not, by promoting the military forces and fostering a model of developmentalism that could be well implemented by a robust capitalist state, imprinting on South Korean minds the seeds of ideals of modernity whether based on authoritarianism.

However, Brazinsky (2009) remarks that quite contradictory the legacy of Japanese colonialism also influenced a positive South Korean's reaction to American efforts, since in contrast with many other regions in the world, Korea was colonized by Asian powers but never by western ones and, therefore, post-colonial nationalism was not inherently anti-west. So much so that South Korean nationalists as PCH could reconcile American interests with their aspirations, responding enthusiastically to the US efforts to build new institutions, shape democratic and liberal ideas, and, if necessary, adapt them to their own political needs and developmental projects.

Thus, this work argues that a particular combination of factors - 1) State intervention in the economy within a substantial "project of a great nation"; 2) the Cold War geopolitical context and South Korea's historical legacies, engendering a convergence between American interests

for the new country and South Korean's autocratic developmental agenda; 3) the liberal-like nature of the South Korean development based on the EOI model, associated with consistent policies of stimulating market mechanisms in counterpoint to the continuity of the ISI model and its strict liberal market policies; and 4-a set of economic nationalist policies implemented mainly during PCH's period accommodated in an endogenous nation-building long-term program based on continuous technological upgrade- led South Korea to a no-return route towards overcoming a historical marginal position among nations.

4.2.5.2. Economic nationalism in South Korea under Park Chung Hee

Nation and nationalism were core elements in the countries that are now rich, and by rich, it means those qualified as industrialized high-income ones. Each people that succeeded in realizing the transition to an industrialized market economy usually underwent three phases: a commercial or mercantile revolution, a national revolution or the formation of the nation-state, and an industrial Revolution (Bresser-Pereira, 2018). Since the First Industrial Revolution, developmentalism became the deliberate national development strategy, sometimes mistaken by protectionism. Thus, those countries embraced to make their national and industrial revolution to achieve satisfactory growth or to catch up with rich and expansionist competitors made in some moment of their history extensive use of developmental strategies and economic nationalism was one of them. According to this author, all tremendous economic powers used economic nationalism to advance the realization of their targets, as did nineteenth-century Britain and twentieth-century the United States by nourishing and protecting their corporations and products. Thus, economic nationalism does not always need to oppose economic liberalism, though it is believed to be most of the time.

According to Gellner (1983, 1993) and Hroch (1996), it is not the nation that defines nationalism but the nationalism of a political elite that forms the nation according to its interests. Therefore, the idea of a nation does not necessarily imply the whole population as the recipient of the same nation-state's attention, caring, and goals. Put differently, the nation is not a natural given but an artifact that an associated group builds and uses to affirm its interests and values. It results from the political action of certain groups that managed to achieve a sufficiently strong alliance among them and gain the support of other segments of the society so that, together, they might defend and expand the national territory, either physically or through commerce and industrialization. At least at the first moment, the State is a reflex of these interests. However, this first consolidated institutional arrangement is subject to change since it is dynamic, and other groups of interest with different ideologies may come into play.

In this sense, we argue that according to the consistency of the institutional arrangements derived from those alliances and support, in a modern state, the ideal of progress and well-being offered to those considered to be part of the nation may vary from one of a more inclusive character to another less inclusive. Nationalism, as a supportive sentiment of we-ness, consequently, may be strong, as it was in South Korea during the 1960s and 1970s under a military-like regime, regardless of the adversities faced by a significant part of the population, or weak, as it was in Brazil under a developmental military administration during the same period. One or the other will depend on how many common interests and objectives are shared by the social groups involved.

Pickel (2002, 2003) states that the economic dimensions of specific nationalisms make sense only in the context of a particular national discourse, rather than in the context of general debates on economic theory and policy. Heilperin (1960) follows the same path, stating that economic nationalism is a specific dimension of nationalism in general, and therefore cannot be adequately examined through economic theory. Therefore, there is not one economic nationalism, but many applied differently in different national contexts.

Economic nationalism was an indispensable feature of the emerging East Asian capitalist economies. It became, argues this study, essential and the leading ideology behind State economic policies in the region. In South Korea, during the 1960s and 1970s, economic nationalism assumed a particular format, going further than just the elaboration and implementation of policies, like raising import tariffs or directly limiting importation or providing economic and financial incentives, and the generation of institutional factors or the promotion of State-business and business-business arrangements. It went beyond because it brought into play a sort of discipline,¹¹³ quite Foucaultian, since it could manifest itself in discretionary as well

¹¹³ Closely related to Foucault's analysis of power and knowledge is his concept of "discipline" or disciplines that appear in his famous book *Discipline and Punish*. Discipline for Foucault is a type of power, a modality for its exercise. It comprises a whole set of instruments, techniques, procedures, levels of application, targets. It is a "physics" of power, an "anatomy" of power, or a power technology. Disciplines are techniques for assuring the ordering of human groups with the following aims: to exercise power at the lowest cost and maximum efficiency and effectiveness; to increase the docility and utility of the disciplined people. According to Foucault's analysis, disciplines emerged in the 18th-19th centuries in Western Europe at the historical conjuncture of two processes: (a) The increase in national populations, and the increase in the population of institutions that needed to be controlled (such as schools, hospitals, prisons, armies, etc.) (b) The growth in the productive apparatus (the production of commodities, and the "production" of health, education, etc.) What distinguished the disciplines from previous forms of power based on repression and violence are the following features:

1) Discipline objectifies the people on whom it is applied. This type of power forms a body of knowledge about the individuals it disciplines, rather than the deployment of visible signs of sovereignty; 2) Population increase and growth of capitalism are interrelated. Disciplining techniques would not have

as in non-discretionary rules and penalties, for both society and business, as well as for any other institution or organization that somehow failed to comply with the DS program or to satisfactorily accomplish the national goals established by the five-year plan in the course.

South Korean economic nationalism, therefore, went beyond a simple, varied set of measures of public policy and administration in areas as trade and commerce, investment, finance, and welfare, which, despite serving as suitable defense mechanisms for latecomers to balance the growth score better, it was considered not to be enough by PCH's administration. Amsden's works noted this disciplinary aspect of South Korean economic nationalism. According to Amsden (1989), South Korea differs from most other late industrializing countries in the discipline of its State, mainly over private firms. The South Korean State's disciplinary measures under the PCH administration, imposed over big private enterprises, were part of the vision that drove that State to foster industrialization to the upper levels.¹¹⁴

Still, the discipline exerted by the State and the rise of big business were interactive. Big business consolidated its power in response to the government's performance-based incentives for entering hazardous industries, rewarding entrants with industrial licenses in more lucrative sectors, thus enlarging the scale of big business or furthering the development of the diversified business group. Discipline may be thought of as comprising two interrelated dimensions: (a) penalizing poor performers; (b) rewarding only good ones.¹¹⁵

been possible without the latter, or valuable, without the former; 3) There is a parallel between the emergence of a formally egalitarian juridical framework and a parliamentary, representative political regime in Western Europe development and generalization of disciplinary mechanisms. A representative regime promises sovereignty by the people, but at the same time, panopticism and the disciplines guarantee the submission of the people. "The 'Enlightenment,' which discovered the liberties, also invented the disciplines. "The main example that Foucault uses here is the "Panopticon," a surveillance technique "invented" by Jeremy Bentham, the utilitarian theorist, for the observation of prisoners. The panopticon consisted of a tower from which the prisoners down on the ground could be always watched. According to Foucault, in the modern prison system, "the codified power to punish becomes the disciplinary power to observe. "Foucault's idea about the panopticon or more generally with the disciplines is that, when one knows that one is being watched, one becomes more docile and more "useful." Thus, discipline is a more efficient instrument of power than repression. <https://culturalstudiesnow.blogspot.com>

¹¹⁴ PCH revealed this industrialization vision in 1963 (Park, 1963) in a book "modestly" entitled *The Country, the Revolution, and I*. PCH revealed this industrialization vision in 1963 (Park, 1963) in a book modestly entitled *The Country, the Revolution, and I*.

¹¹⁵ The Ssangyong Group, owned by one of the ruling party's elders, and the Taihan Group, a pioneer in the electronics industry, had a weak consumer electronics division that failed. Eventually, the government oversaw its transfer to Daewoo Electronics. Construction firms such as Kyungnam (merged into the Daewoo group) and Samho (acquired by Daelim Engineering) are typical cases of firms that, although they once enjoyed government support, were abandoned after going bankrupt-when other firms in their industry were prospering-for reasons which observers generally agree were related to incompetence. The Korea Shipbuilding and Engineering Company was a poorly managed chaebol of considerable size that the

Therefore, there was no escape from this kind of original disciplining pattern established by the PCH administration without putting the business or oneself at risk. These disciplinary measures were imperative and subtle in practice over the actors involved. They helped South Korea under PCH's administration to reach governmentality¹¹⁶ and the desirable outcomes of its economic nationalist project.

The discipline imposed by the South Korean government on virtually all large-size firms, no matter how politically well connected, was related to export targets. There was constant pressure from government bureaucrats on corporate leaders to sell more abroad with apparent implications for efficiency. Pressure to meet ambitious export targets gave the big push into heavy industry. Therefore, these companies were subject to monitoring and control mechanisms to reach the targets established in each five-year plan in exchange for government support (Amsden, 1989). Having the outcomes closely controlled, monitored, and disciplined by State agencies and other institutions, businesses likely tried their utmost to cope with their part of the task, profit from it, and guarantee the inflow of new projects. In a sense, discipline was the operative drive of PCH's economic nationalism.

Johnson (1987), when analyzing this period, reflected on Hasan's (1976) observation on the existence of an apparent paradox concerning the significant dependency of South Korea's economy on private enterprise operating under highly centralized government guidance and called attention to this intriguing state-business relationship. He says that in Korea, the government's role was considerably more direct than merely setting the broad rules of the game and indirectly influencing the economy through market forces. The government seemed to be a participant and often the determining influence in nearly all business decisions.

Again Johnson (1987), reassuring Hasan's understanding that part of the solution to this paradox was due to the compromise assumed by the State and the big business sector to materialize specific economic goals for the entire nation. Such an ideal requires patience from the population and effort from the business sector, generating what can be called a

government recently punished with dismemberment. The Kukje-ICC group has also been pilloried" (Amsden, 1989).

¹¹⁶ In this work, we take as a reference a partial Foucault's definition of governmentality, which understands it as the ensemble formed by the institutions, procedures, analyses and reflections, the calculations and tactics that allow the exercise of this albeit complex form of power, which has a population as its target, political economy as its primary form of knowledge, and apparatuses of security as its essential technical means.

<https://web.archive.org/web/20110724102830/http://www.andosciasociology.net/resources/Foucault%2C+Governmentality%2C+and+Critique+IV-2.pdf>

<https://www.collectionscanada.gc.ca/obj/s4/f2/dsk3/QQLA/TC-QQLA-23836.pdf>

"compromise nationalism." Therefore, as mentioned, nationalism is not a sentiment that comes out of thin air. It is, as well as institutional arrangements are, an ideological construct, which, in South Korea's case, was operationalized by the State through a specific economic developmental agenda.

PCH very soon understood that identity and economic nationalism should work hand-in-glove if a developmental agenda had to be implemented. His vision imposes the basis of a new State-business relationship and a new State-society one if what he understood as a consistent example of economic nationalism was to be established. PCH's South Korean economic nationalism results from this relational pair made of a "nation," meaning the entire South Korean population as well-being recipients, and "country," meaning South Korean business and State capacities. In his view, argues this study, the integration of this relational pair under the guidance and directives of the State should be enough to launch South Korea to fulfill a destiny of greatness.

This argument about the critical role played by national identity and economic nationalism did not imply that according to PCH's vision, South Korea should deny the previous substantive benefits brought to the country by having in-depth economic relations with the United States and Japan, regardless of their geopolitical and economic interests, nor that the ISI model was not crucial for a time. Likewise, it did not imply denying the importance of the role played by the State under Rhee's administration.¹¹⁷

¹¹⁷ South Korea's nationalist socio-economic and industrial transformation since its liberation from Japan in 1945 has a long history. In the late nineteenth century, it started around 60 years earlier, related to the assault of multiple exploitive foreign economic interests and their policies. The convergence of state, business, and society as necessary actors to consolidate a nation-state were missing since the state was not Korean but Japanese. Business, in turn, was compromised with their short-run interests, and society was not taken as formed by actual Korean citizens. The liberation brought changes, but these three actors were totally in disarray with one another. The country was a non-existent entity during the US military rule from 1945 till 1948, torn apart in two pieces. In Rhee's administration from 1948 till 1960, an attempt was made to align them under a reconstruction project commanded behind the strings by US geopolitical interests through an import-substitution industrialization plan. However, the Korean War ended, and the country remained an undefined entity throughout the conflict and a destroyed one at its end, particularly in the southern part of the peninsula. So was the impoverished population. Rhee's administration had to restart almost from zero the reconstruction project and the import-substitution industrialization plan previously proposed by the US was carried out with ambiguity since, at the same time, Rhee's administration put in motion the US geopolitical agenda of a regional economic intertwining with a subcontractor role attributed to South Korea, it pursued a policy viewing a more economically independent country free from the US-Japanese sphere of influence, and a beneficiary of a more independent and consistent long-run industrialization process export-orientated. Nevertheless, despite advances in economic growth and infrastructure development, Rhee's intentions failed in consistency and operationalization. Changes would come abruptly when PCH took office in 1961.

For PCH, argues this study, if a State is to be developmental, it must do it under a sound developmental State agenda, meaning clear long-term goals to be reached through sound economic nationalist policies and the nation's approval, meaning as many social groups as possible. Besides, if the nation is to be supportive, PCH understood that the State should clear its intentions through frequent addresses. Through public statements, national interests and aspirations can make sense to the people and strengthen the nationalist sentiment. And so he did, counting hundreds of addresses throughout his regime.

PCH's administration made use of this understanding as much as it made use of the political and economic institutions to foster this developmental agenda. Thus, industrial policies elaborated and implemented through state-business arrangements, approved mainly by as many social groups as possible under a feeling of we-ness and operationalized by a developmental autocratic state was South Korea's winning recipe during the 1960s and 1970s.

The manner South Korea framed its national purposes, and mainly how PCH justified its political legitimacy, were through continuous reference to unity and memory as essential ideational factors to enhance the economic nationalism attached to the DS program that his administration struggled to put in motion. He employed "carrots and sticks," made of discretionary and non-discretionary mechanisms, comprising both economic and financial incentives and subtle, brand and hard coercive measures. His economic discourse constantly stressed the necessary we-ness among the state, business, and society. Very pragmatically, "sticks and carrots" strongly served to force the replacement of the short-term business logic for the we-ness long-term logic among chaebol leaderships. Likewise, other social groups were stimulated to comply with these developmental directives, expecting that they positively respond to presidential addresses' claims or candidly support being indulged with a continuous increase of the employment rate. When positive stimulus failed to convince any dissident group of the government's goodwill and assertiveness, coercive measures were applied, like censorship to press or martial law against student protests:

First of all, journalists should realize how heavy the "responsibility of journalism" is for the development of our country, our society. (...) Our journalists are asked to consider carefully what social effects it would bring about if due to its overemphasis on its own freedom, neglects its responsibility; and what evil effects would produce in the long run. (Major Speeches by Korea's Park Chung Hee, "Responsibility of Journalism", on the 10th annual Newspaper Day, April 6, 1966, pg. 99)

Having already dedicated my life and soul to the country, what private motives and desires can there be left to me? My unintentional neglect to seek full public support, and my belief that others should have the same conviction as I do hasten me to expedite normalization of diplomatic relations with Japan, which led to the March 24 student demonstrations. These demonstrations have continued intermittently for more than two months, their character changing gradually, finally erupting into riots on June 3. I strive to settle the situation without resorting to emergency measures, but the situation Only grew worse, compelling me to declare martial law. (Major Speeches by Korea's Park Chung Hee," The Student Must Go Back to School", in A presidential instruction for the student, on June 26, 1964, pgs. 106-107)

PCH's vision of what a DS should be and perform, using economic nationalism and nation-building in a very inward-oriented version of them, was influenced by his trajectory. PCH received professional training in a Japanese Military Academy and later served as an officer in Manchuria, adopting the Japanese name Okamoto Minoru (also called Takaki Masao). An ambiguous hate-and-love view emerged from PCH's Japanese professional and academic experiences. While he might have genuinely admired Japan's culture and development, he carefully framed his foreign discourse towards Japan when becoming president. He stressed economic independence as a crucial strategy to national survival, as did pre-war Japan, and framed national identity as a fundamental feature to regain pride and autonomy within a short time, as did post-war Japan. PCH's industrial policy strengthened the role of chaebol groups, which resembles Japanese pre-war zaibatsu. As a result, the country's economic discourse under PCH set the foundation for nationalistic elements primarily based on Japan's institutions and development trajectory (Lai, 2018).

The odd combination of decreasing Japan's cultural influence and the search for an independent Japanese-mimicking path shows how much PCH valued the Japanese industrial development achievement and its underlying methodology, based on selective policies and targeted businesses. These features became part of his economic nationalism strategy. Those selective policies and targeted businesses were partly responsible for the growth of Japan's trade flows, bringing the regional area towards its sphere of influence and dominance. In that case, it could be possible to do the same for South Korea. This may explain why PCH remained wary of Japan, regardless of his restrained admiration. A dubious sentiment not shared with the South Korean people at the time, to whom Japan was a potential and dangerous aggressor to be ever avoided. His dubious and pragmatic perception of the former ruler, alongside South Korea's unfriendly attitude towards the Japanese, contributed to South Korean economic nationalism.

Whether for PCH administration it was clear that a particular type of economic nationalism and an inward-oriented nation-building process were essential ideational factors to establish a self-reliant economy for South Korea, it was also evident that it would also require a massive mobilization of resources to meet long-term industrial targets, aligned with unconditional business compromise, and last but not least, influential political propaganda to encourage public participation to support economic affairs, and ensure that there would not be societal obstacles to pursuing long-term over short-term targets, easier to convince immediately in the eyes of society as they met the public's demands. Many fronts. Many variables. Not an easy task at all.

As said, PCH's economic nationalism and nation-building implementation were inward-oriented processes. Based on the presidential speeches, this study argues that PCH's administration had two premises and one directive in mind to put them in motion: 1- a country cannot be developed with a single service-driven base, a single agricultural base, or even a single export or manufacturing-driven base; 2- a country cannot be developed if it does not envision its own people's capacity and well-being. To support these premises, as a directive, mixed political signals to the business sector and the population through conflictual socio-economic policies issued by the government should be avoided. Thus, the promise was employment, but few welfare policies; the promise was a meritocratic recognition, and quality education was the way to reach it and should be available. Regardless of any temporary suffering by some groups, the signal had to be clear: nation, meaning the totality of all groups of interest, comes first, regardless of any temporary sacrifice. The closer to the totality, the better.

Economic nationalism was at the core of PCH developmental policies. However, one should not take these policies as expressions of protectionism, since they were diverse: while protectionism, in general, does not take inefficiency as an essential question, economic nationalism as implemented in South Korea did and tried to overcome inefficiency through a diverse set of rules and incentives, some of a coercive order. Thus, while policies generated under PCH's government gave leverage to South Korean entrepreneurs who were industrially minded growing, PCH's administration indirectly controlled their activities to take them from point A to B according to the five-year plan in the course and the policies designed to implement it. Moreover, since the five-year plans were elaborated conjunctionally between government and business representatives, this policy approach helped to impair a democratic feeling of commitment among the actors participating in the elaboration of the five-year economic plans, as well as providing them with significant knowledge of the rules, regulations, and incentives attached to them.

The primary idea driving PCH's economic nationalism and a consistent commitment to South Korean nation-building were to strengthen South Korea's economy using American aid as a guarantee for coping with the social and business' basic needs. With the inflow of resources paying for the basics, the government, then, could assist local entrepreneurs in growing strong into the international market. The instruments that would help accomplish this task would be the banking control by the State, agrarian reform, and elaboration and approval of rules, regulations, and fiscal and economic incentives. Previously, however, there would be necessary to materialize some pre-requisites such as qualified personnel, the commitment of the business class, the content of adversary political forces, and a body of new institutions.

As it has become straightforward along with this subsection, South Korea PCH economic nationalism must be seen in a broad perspective which envisioned South Korean economy as a national project aimed at taking South Korean society to the next socio-economic level. Part of the equation was to determine the role of the middle class in this process. The growth of the middle class was part of this vision. Through a gradual increase in income observed from the late 1960s into the 1970s, the PCH regime deliberately intended to extend the South Korean middle class to eventually absorb excesses of exported goods, helping stabilize the economy during the crisis.

For the PCH's regime, growth without development, that is grown without economic and social prosperity, was insignificant since progress was understood as an upward mobile situation in a progressive and sustained manner. Education here played a central role in overcoming technological gaps that would undoubtedly appear along the path (GRAPHIC 35). High-quality education and self-awareness of outstanding personal qualifications were strongly encouraged, an essential component of PCH's economic nationalist strategy. However, it is a misconception to direct link quality education with the budget for the South Korean case. As can be seen, the budget varies, but it has been historically low, except for a short period in the 1980s. Quality education in South Korea had out-of-the-budget drives. However, the goal was accomplished (see FIGURE 14 above).

General government expenditure on education (current, capital, and transfers) is expressed as a percentage of GDP. It includes expenditure funded by transfers from international sources to the government. General government usually refers to local, regional, and central governments. The average value for South Korea during that period was 3.41 percent with a minimum of 2.09 percent in 1975 and a maximum of 6.33 percent in 1982. The

latest value from 2016 is 4.33 percent. For comparison, the world average in 2016 based on 108 countries is 4.49 percent.

5. THE BRAZILIAN CASE AND COUNTERPOINTS

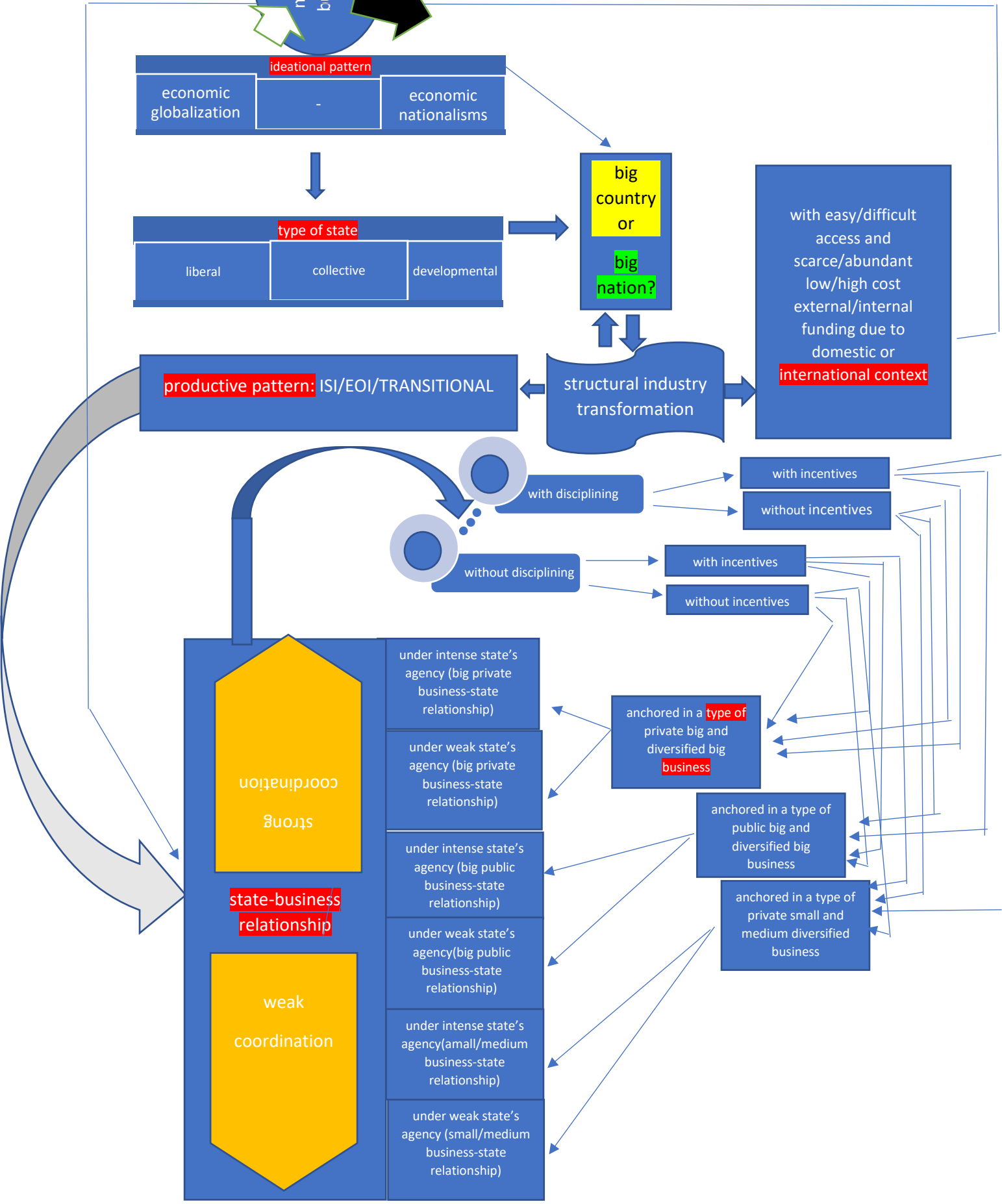
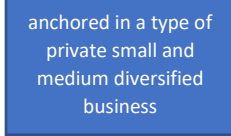
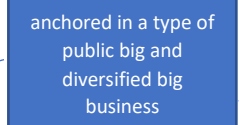
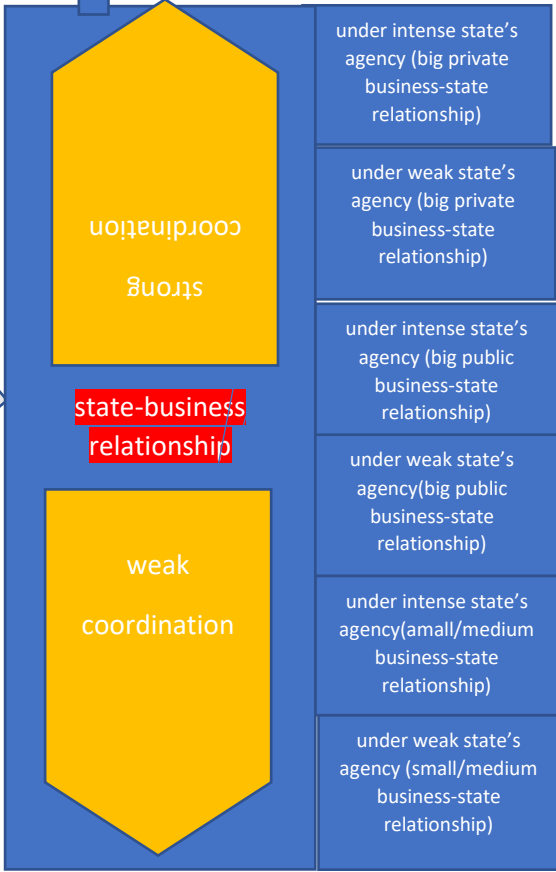
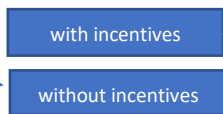
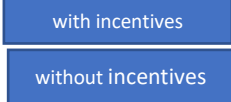
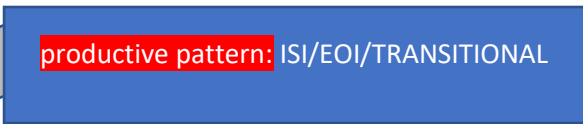
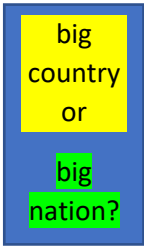
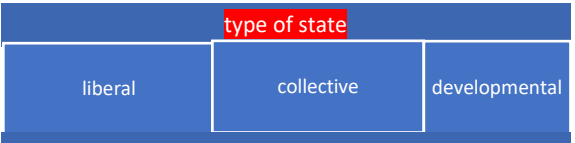
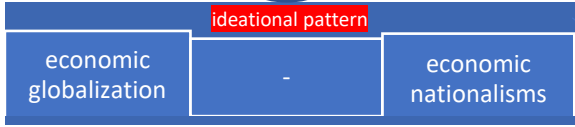
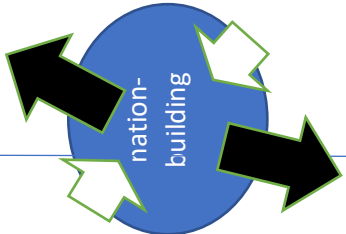
Chapter 4 argued that isolated factors observed in South Korea could not separately explain the socio-economic success faced by that country between the 1960s and 1970s. Likewise, as this Chapter 5 intends to demonstrate, they could not explain the failure of Brazil to move beyond ISI towards EOI, reproducing the same South Korea's upgrading developmental process. The dissertation main argument alternatively proposed, then, that six variables, acting together, had contributed to different outcomes observed in these two countries: type of state, business configuration, State-business relation, productive pattern (ISI, EOI or transitional), the international environment and its geopolitics, and the role played by the ideational development pattern, encompassing economic nationalism and nation-building patterns. The study presented in Chapter 4 how this interaction worked in the South Korean case. The same will be done in Chapter 5 concerning the Brazilian case with a similar approach.

The findings derived from the analyses of the South Korean case in the last chapter interlock to several issues observed in the Brazilian one. Based on this, the study proposes five reasons to make sense for the ineffectiveness of, or better saying, the lack of alleged effectiveness of the Brazilian DS vis-à-vis South Korean's: 1 - A DS under four successive authoritarian governments with common expressed socioeconomic objectives, decoupled from, or unable to implement, corresponding tactics because of misguided developmental ideas and block power bloc conflicts fragmentation in government and elites; 2- solid political relations with the US but with comparatively low economic support in the 1960s and first half of the 1970s vis -à-vis the aid volume and positive conditionalities entertained by South Korea; 3- formal and informal State-business relations with corresponding incentives but lacking ordinary discretionary disciplinary measures due to business enmeshing in State's affairs (business capture); 4) conflicting strategy, at times with a state-driven bias and at others with a noticeable liberal bent, meeting either primarily national business interests or turning to international ones; and either toeing the line of US foreign policy or, pursuing a more pragmatic and independent path. Such a haphazard strategy can be accounted for lack of cohesion within the power blocs about developmental ideas and orientation; 5- limited technological development orientation restricted to the nuclear and IT sectors, based mainly on foreign

technological transfer, making the latter highly likely dependent on government's stimulus and guidance.

The Figure 24 below depicts interactions among these variables and their role in distinct developmental profiles and outcomes of South Korea and Brazil:

FIGURE 24: Alternative explanatory framework variables and dynamics.



SOURCE: Author's elaboration.

Employing the same analytic framework used to study the South Korean case in the previous chapter, this chapter 5 analyzes institutional transformations in the 1960s and 1970s in Brazil. To grasp issues underlying the failed outcome of Brazil, one needs to scrutinize the power blocs dynamics embedded in DS ideological conceptions.

Whereas the institutional transformation in Brazil is comparatively distinct from that of South Korea, the main argument here is that distinct DS profiles shaped their catching-up. South Korea underwent a technological upgrading which led it to overcome the middle-income status, whereas Brazil was caught in the middle-income trap.

Retracing the twentieth-century experience of Brazilian socio-economic and political development, the chapter integrates factors that shaped its early catch-up trajectory to the coup movement of 1964 with those that played out in the following three-decade dictatorship. Existing literature attributes to State-(in)capacity, external factors, or subversion of liberal concepts underlying the distinct outcomes between the two cases. Considering these, the chapter connects links them to the political arena issues revolving around power blocs embedded in deeper ideological factors such as the idea of nation, economic nationalism, and nation-building.

5.1. A historical view of catching up

According to Furtado (1989), Brazil postponed its industrial revolution because of its outward development: a development oriented toward producing and exporting agricultural goods and importing industrialized products. In short, coffee, and industrial backwardness became entangled in Brazilian economic development.

Brazil invested in coffee exports in the second half of the nineteenth and the first half of the twentieth century, which surplus paid for imported manufactured products. Between 1889 and 1930, coffee represented 70% of Brazilian exports, on average, and near the total of world coffee production (TABLE 22). Despite its decline at the start of the last century, in 1940, coffee still represented 43% of exports (Furtado, 1977; Lapa, 1986; Prado Júnior, 1973; Catelli Junior, 1992).

TABLE 22: Brazilian share in world coffee production - 1900 to 1998 (in thousand sacs of 60 kg).

| YEAR AND PERIOD | WORLD | BRAZIL | SHARE (%) |
|-----------------|--------|--------|-----------|
| 1900 | 15,100 | 12,069 | 80 |
| 1910 | 14,350 | 10,653 | 74 |
| 1920 | 20,290 | 17,116 | 84 |
| 1930 | 25,230 | 17,652 | 70 |
| 1940 | 26,500 | 15,797 | 60 |
| 1950 | 31,300 | 16,754 | 54 |
| 1960-69 | 67,585 | 25,370 | 38 |
| 1970-79 | 72,317 | 19,370 | 27 |
| 1980-89 | 90,724 | 26,515 | 29 |
| 1990-99 | 97,495 | 26,361 | 27 |

SOURCE: <https://revistacafeicultura.com.br/?mat=3640> (Author's adaptation).

Criticisms against the agricultural option existed and even intensified with the export and import barriers during Second World War. Furtado (1989) states:

The option for industrialization was a widely discussed topic in Brazil, particularly during the war period. The shortage of manufactured products, caused by the interruption of external supply, brought decisive arguments to critics of the country's old doctrine of essentially agricultural vocation (Furtado, 1989: 169).

Slavery (abolished in 1888) was another critical factor in the country's industrial lateness. A slave society is incompatible with industrialization since it demands currency circulation from wage-earning. By the end of the nineteenth century, this situation began to change. At the turning of the century, the urbanization process, with the gradual depletion of rural areas, was a factor in the rupture of this agrarian export model. Initially, urban inhabitants balanced the agricultural exports with manufactured goods, as these goods were mainly acquired through imports. The balance was broken with the economic crisis experienced in foreign consumption centers during WWII. The rupture of the agricultural-export paradigm occurred precisely because of the growing demand for manufactured goods caused by urbanization. At that moment, the criticisms leveled against the agrarian model gave way to an emerging view called national-developmentalism (Furtado, 1977; Lapa, 1986; Prado Júnior, 1973; Catelli Junior, 1992).

Bielschowsky and Mussi (2013) show that the growth of the Brazilian economy that until the 1930s had taken place "outwards" would start to be oriented "inwards." Industrial investments predominantly oriented towards the domestic market started to lead the economic expansion in investments aimed at exporting agriculture. "The essentially agrarian-export

economic system existing in Brazil until the 1930s became, over half a century, predominantly urban and industrial" (Bielschowsky and Mussi, 2013: 143). Since then, the industry has played a significant role in Brazil's economic growth process, especially between 1950 and 1980. During this period, the country consolidated its ISI policy, whose driving force was -and continues to be¹¹⁸- the domestic market (Versiani e Suzigan, 1990).

The change in the Brazilian economic structure affected the GDP per capita growth rate (TABLE 23). According to IBGE (1990, 2006), the growth rate of GDP per capita varied positively in the first four series of twenty years, mainly due to increasing industrialization, and particularly from the 1940s to the 1980s: 1.3% per year from 1900 to 1920, 2.9% from 1920 to 1940, 3.8% from 1940 to 1960, and 4.6% from 1960 to 1980. However, an inflection occurred at this point, and during the last 20 years of the twentieth century, GDP varying increased only had an average growth of 0.3% per year.

TABLE 23: Brazil GDP per capita accumulated growth per decade.

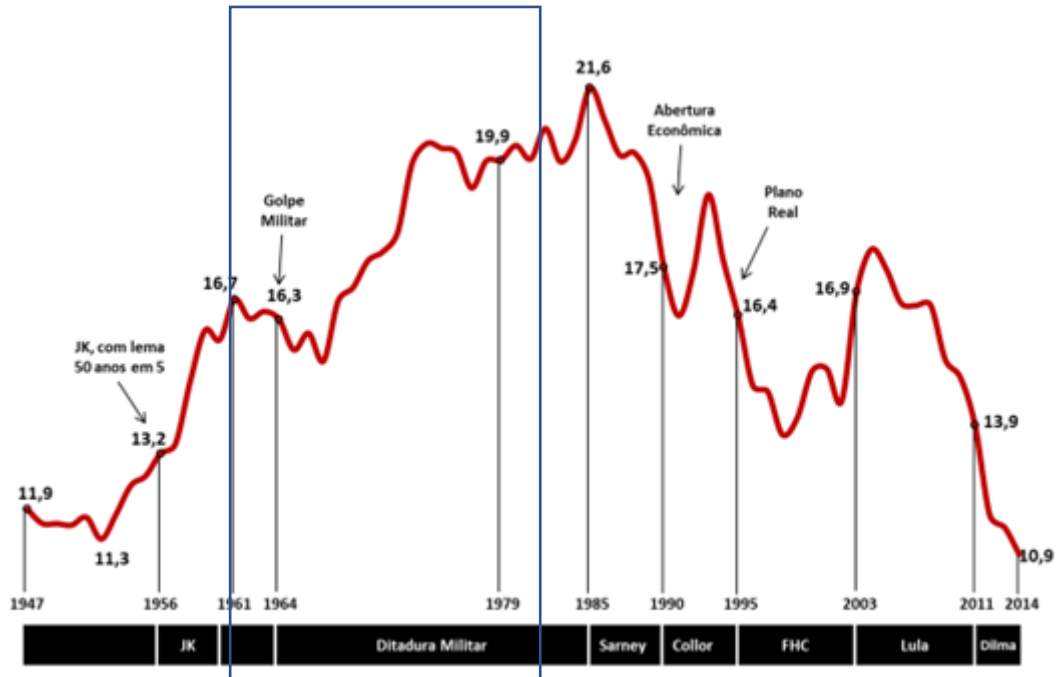
| | ACCUMULATED GROWTH IN 10 YEARS | ANNUAL AVERAGE GROWTH |
|---------|--------------------------------|-----------------------|
| 1901-10 | 11.3% | 1.1% |
| 1911-20 | 17.3% | 1.6% |
| 1921-30 | 34.2% | 3.0% |
| 1931-40 | 32.3% | 2.8% |
| 1941-50 | 40.8% | 3.5% |
| 1951-60 | 51.1% | 4.2% |
| 1961-70 | 36.9% | 3.2% |
| 1971-80 | 79.1% | 6.0% |

SOURCE: IBGE (1990), *Estatísticas Históricas do Brasil: Séries Econômicas, Demográficas e Sociais de 1550 a 1988*, Rio de Janeiro: IBGE e IBGE (2006), *Estatísticas do Século XX*, Rio de Janeiro: IBGE. (Author's adaptation)

Growth from industrialization produced a structural change in the Brazilian economy (FIGURES 25 and 26). Brazil was no longer solely an agricultural country: from the beginning of the century, the share of agriculture in GDP, at 1949 prices, dropped from 44.6% of GDP to 38.1% in 1920, 29.4% in 1940, 16.9% in 1960, and 9.8% in 1980, remaining approximately stable since then. Parallel to the contraction of agriculture, the participation of industry increased: 11.6% of GDP in 1900, 15.7% in 1920, 18.7% in 1940, 29.9% in 1960, 34.4% in 1980. (Abreu, 1994, 1999).

¹¹⁸ See Paulo Gala at: <https://www.paulogala.com.br/brasil-o-mercado-interno-podera-nos-salvar/>

FIGURE 25: Brazil evolution of the share of the manufacturing industry in GDP (in %) 1947-2014

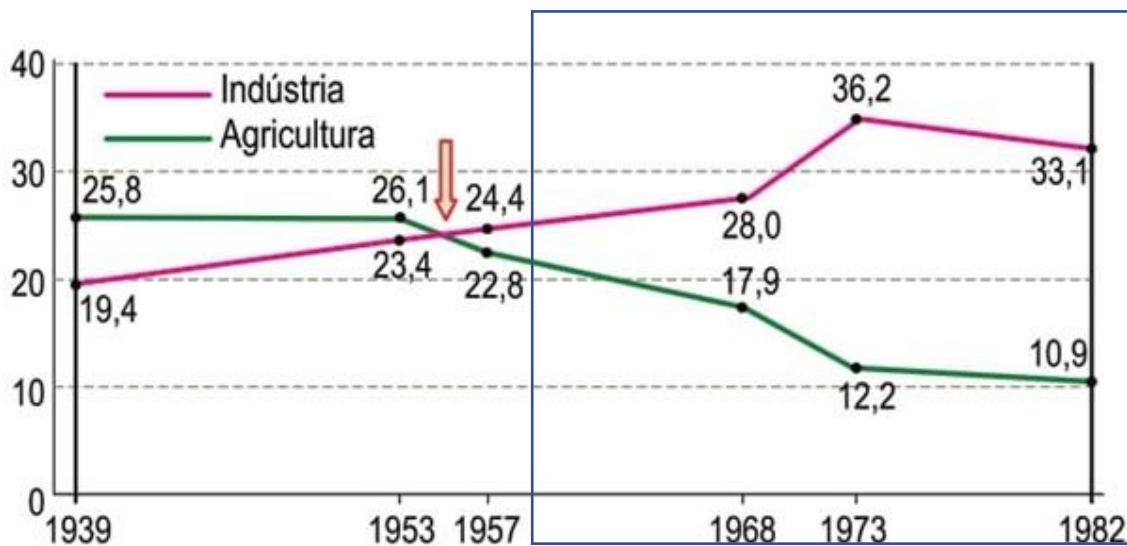


SOURCE: IBGE. Depecon-FIESP.

Available at:

https://www.google.com/search?q=participa%C3%A7%C3%A3o+da+industria+no+pib+ibge+evolu%C3%A7%C3%A3o&source=lnms&tbm=isch&sa=X&ved=2ahUKEwiV0uTW-_f0AhW0qpUCHWxuBcEQ_AUoAnoECAEQBA&biw=1366&bih=568&dpr=1#imgrc=bKnnTh0vgv4VNM
 Accessed on 12/22/2021

FIGURE 26: Brazil evolution of industry and agriculture in Brazil in the period 1939-1982 (in % of GDP)



SOURCE: Marcos de A. Coelho e Lygia T. Soares. Geografia do Brasil, 2002. Author's adaptation. <https://www.indagacao.com.br/2021/11/unesp-2022-destacado-pela-seta-o-momento-em-que-os-percetuais-da-industria-ultrapassam-os-da-agricultura-na-composicao-do-pib-brasileiro-possui-.html>

The country moved from an economy heavily dependent on the coffee and rubber trade into fast and dynamic industrialization and diversification. During the so-called Vargas era (1930-45 and 1950-54), the economy became more complex and paved the way to further industrial processes (Catelli Junior, 1992; Furtado, 1977; Abreu, 1994, 1999).

5.2. The coffee-industry transition: 1900-1964

At the beginning of the twentieth century, the country's agricultural frontier remained open to expansion. With profitable coffee production and land exploration, coffee monoculture spread to land suitable for production. Such expansion brought the Brazilian economy to the point of exhaustion concerning excessive production, showing a long-term downward trend in prices (Furtado, 1989; Lapa, 1986; Prado Júnior, 1973; Catelli Junior, 1992).

The solution found by the government and producers was to use the significant influence that Brazilian production had on the world market (Furtado, 1989). In 1906, in what became known as the Taubaté Agreement, producers designed a policy to protect coffee prices to keep them high by withdrawing part of the product from the market. Furthermore, to solve the problem in the long term, it was suggested that subnational governments should discourage plantation expansion.

The policy worked for some time. However, from 1928 to 1932, exports dropped 16% and imports 60%. In the medium term, these crisis years brought the need to formulate new alternatives to the consumption and entry of resources since this situation reduced profits. Thus, the coffee policy positively rebalanced the tendency to instability and, despite the crisis, wages, profits, and other types of income were not substantially affected. Consequently, the demand for products in the domestic market did not drop sharply, yet, on the other hand, the prices of foreign products rose due to the currency devaluation (Furtado, 1989; Lapa, 1986; Prado Júnior, 1973; Catelli Junior, 1992).

All who produced and sold primary products such as food, clothing, and the like were less affected than if the coffee policy had not been effective. Thus, it was possible for the food purchase level and those of other primary products to be maintained, making the economy run. This scenario stimulated domestic production since national products could not compete with foreign products in natural conditions due to price and quality. With the crisis and the resulting

increase in the prices of imported products, an opportunity was opened for the national industry market to meet the domestic demand for these products (Furtado, 1989; Lapa, 1986; Prado Júnior, 1973; Catelli Junior, 1992).

During the 1930s, the external influence over Brazil changed. Until the 1929 crisis, England was the country that invested the most, mainly in services. However, this pattern stabilized during the 1930s, and the US began to invest heavily in the Brazilian industrial sector. At the beginning of the decade, the investment competition between the US and England allowed Brazil to have relative stability to negotiate the country's debts since it had no relationship with just one actor and could resort to the other (Furtado, 1989; Lapa, 1986; Prado Júnior, 1973; Catelli Junior, 1992).

The country grew 8% a year between 1934 and 1937 thanks to the incomes policy that increased the demand and price of imports (TABLE 24). The agricultural sector grew 3% and industry 11% (TABLE 25). Products such as rubber, paper, cement, chemicals, textiles, and metallurgy showed a higher average industrial growth rate.³ At the end of the 1930s, the US pressed for the price of the Brazilian national currency against foreign currencies not to be controlled by the government, which happened. As a result, there was a 19% increase in the value of exports, as the national currency became cheaper and Brazilian products less expensive for foreigners (Abreu, 1994, 1999; Furtado, 1989; Lapa, 1986; Prado Júnior, 1973; Catelli Junior, 1992).

TABLE 24: Brazilian GDP growth, population, GDP per capita (1934-1937).

| YEAR | POPULATION | | GDP | | GDP PER CAPITA | | |
|------|------------|---------------|---------------------------------|---------------|------------------|----------------|---------------|
| | RESIDENTS | VARIATION (%) | IN REAIS OF 1999 (R\$ MILLIONS) | VARIATION (%) | IN REAIS OF 1999 | IN USD OF 2000 | VARIATION (%) |
| 1934 | 37,349,825 | 1.4 | 34,364 | 9.20 | 920 | 503 | 7.73 |
| 1935 | 37,876,153 | 1.4 | 35,395 | 3.00 | 934 | 511 | 1.57 |
| 1936 | 38,432,045 | 1.5 | 39,677 | 12.10 | 1,032 | 564 | 10.48 |
| 1937 | 39,021,874 | 1.5 | 41,503 | 4.60 | 1,064 | 581 | 3.02 |

SOURCE: <https://seculoxx.ibge.gov.br/> (Author's adaptation)

TABLE 25: Brazil sectoral indices of the Real Product, 1934-1937 (1939 = 100).

| YEAR | AGRICULTURE | INDUSTRY |
|------|-------------|----------|
| 1934 | 92.0 | 63.8 |
| 1935 | 89.7 | 71.4 |
| 1936 | 98.2 | 83.7 |
| 1937 | 98.3 | 88.2 |

SOURCE: <https://seculoxx.ibge.gov.br/> (Author's adaptation)

From the mid-1930s until the end of WWII, American technical and financial support helped develop the Brazilian economy. The US used this support as a bridge and influence in the South American market. An example is the provision of credits and materials for constructing the Companhia Siderúrgica Nacional in Volta Redonda (CSN) (Abreu, 1994, 1999; Furtado, 1977; Lapa, 1986; Prado Júnior, 1973; Catelli Junior, 1992).

During the first Vargas government (1930-1934), criticism of the economy's specialization emerged. Until then, it was believed that a country should specialize in the large-scale production of a product in which it would have a relative advantage compared to other countries. In the Brazilian case, agricultural products were the rational choice¹¹⁹. (Furtado, 1977; Lapa, 1986; Prado Júnior, 1973; Catelli Junior, 1992). The critique was that a focus on agricultural production for export without an industrialization policy counterpart would increasingly

¹¹⁹ The rationale for comparative advantages is that the specialization and competitiveness of a given product relative to other economies serve to accumulate capital that would foster economic dynamism.

generate a difference in income between exports and imports due to the added value in the latter. Another was found in the idea that the domestic market would not be served with an export-oriented production, making the domestic market dependent on more expensive imports. The last was that the standard economic model supported inequality due to these aspects, allowing selective access to certain products. In this context, an ISI model was then seen by Vargas's authoritarian regime as the most viable solution to overcome these difficulties (Abreu, 1994, 1999; Furtado, 1989; Lapa, 1986; Prado Júnior, 1973; Catelli Junior, 1992).

The post-war authoritarian regime changed, and the new democratic government resulted in a less stable economic project. However, the ISI project was not abandoned under the new Dutra government (1946-1950). The return to relative normalcy called for a rethinking of the inflow of foreign currencies since, with the war, the European and US markets had facilitated Brazil's flow of foreign currencies. However, by the end of the war, investments were needed to rebuild the European market, and the US market pulled these foreign currencies from the Brazilian market to European countries, causing internal disarray (Abreu, 1994, 1999; Furtado, 1989; Lapa, 1986; Prado Júnior, 1973; Catelli Junior, 1992).

Brazilian economic policy in the post-war faced a "trilemma." Among the three biggest country's economic problems, only two of them could be tackled at a time. There was constant inflationary pressure, and growth was imperative, but there was a need to balance the external accounts. When the country grew, there were difficulties in financing this growth and a lack of the necessary investment conditions. As the necessary conditions for investment were created, inflationary pressure increased. When inflationary pressure intensified, the government was forced to hold back growth, losing legitimacy and popular support. When there was an external crisis, the public administration was forced to deal with the economic crisis first and then create space to carry out other public policies (Delorme Prado, 2010).

As in post-war Brazil, a higher inflation rate suffered less rejection from the population than the economic recession. Therefore, the answer to this "trilemma" was almost always the maintenance of economic growth, at the expense of greater tolerance to the increased prices and the deterioration of the balance of payments. This growth was only interrupted when the exchange rate crisis impacted all other policies. In 1945, a tacit agreement for sustaining growth at any cost was made, encompassing all economic, ideological streams, from left to right (Delorme Prado, 2010).

Bold measures sustained growth and proved successful. For example, in the Kubitschek government, the external assessment was that Brazil would not make high investments. The

IMF, at the time, recommended a drastic reduction in economic growth and a reduction in investment. Kubitschek responded by breaking with the Fund, maintaining its five-year plan, and building a new federal capital city. Given the limitations of funding sources and the fragility of external accounts, it seemed impossible to grow at an accelerated pace. Nevertheless, an automobile industry was created, and a new national capital was built.

Policies promoting international trade freedom coexisted with development policies during Dutra's period, but the international context differed. The effects of WWII had utterly passed. It was one thing to take advantage of the exchange rate and induce industrial policies beneficial to the country during the 1930s to the mid-1940s. It was quite another to use these means at the dawn of the Cold War under a Western political order led by the United States that pushed for higher levels of multilateral trade.

In this context, aiming to rationalize the flow of currencies, Dutra's government's (1946-1950) response was a policy to force the appreciation of the national currency and the selectivity of imports. It resulted in: 1- implementation of a policy of subsidies to industrial production to maintain low prices, with the strengthening of the national currency to facilitate the purchase of raw materials and products used by national industry; 2- valorization of exports, mainly coffee, and the increase in its profitability to be reverted to industrial investments; and 3- an increase in the capacity of the national industry to absorb the domestic market with greater price competitiveness (Abreu, 1994, 1999).

From 1951 to 1954, Vargas returned to power, and the focus remained on controlling government debts and increasing tax collection with better inspection conditions. Nevertheless, another milestone of the second Vargas government was the change in the exchange rate regime. Law 1807/53, known as the free-market law, transformed Brazil into one of the least restrictive countries regarding profit remittances in Latin America. The law, however, did not positively affect the relationship between exports and imports. Products favored with lower rates did not respond as expected, and the economy went through a troubled period given way the country's inflation. Despite an industrial growth of 9.3%, the economy in 1953 grew by only 4.5% (Abreu, 1994, 1999).

The Kubitschek government (1955-1960) took measures that looked at the exchange rate and launched an investment program. In 1957, the free-market law was modified to simplify multiple fees and guarantee protection for specific products. There was, for example, the possibility of guaranteeing quotas and exemptions in some cases. Thus, while avoiding the lack of products by allowing the circulation of imported products, the law controlled products that

could be produced internally, in such a way that it could boost the capital goods industry - which grew 26% in the period, driven by mainly the automobile and equipment industry (Abreu, 1994, 1999).

The adoption of a five-year plan during Kubitschek's government occurred in response to recommendations from the Joint Brazil-United States Commission. This plan resulted from negotiations conducted earlier by the Dutra government, aiming at US investments to reconcile public and private investment in primary sectors and infrastructure, and improve social conditions in the country. The plan focused on five sectors: transport, energy, food, education, and primary industry.⁵ in response to recommendations from the Joint Brazil-United States Commission. This plan resulted from negotiations conducted earlier by the Dutra government, aiming at US investments to reconcile public and private investment in primary sectors and infrastructure, and improve social conditions in the country. The plan focused on five sectors: transport, energy, food, education, and primary industry.¹²⁰

The plan's implementation led to an inflationary problem due to a large injection of money into the economy. Brazilian inflation escalated and remained high. What then appeared to be a structural problem had two interpretations. The first, linked to the IMF, claimed that the significant government investments and the increase in the amount of currency in circulation were the cause of the persistent rise in prices. The second, more linked to the developmental group, explained the Brazilian inflation by economic bottlenecks in infrastructure that made it challenging to produce. Therefore, without supply, prices increased (Abreu, 1994, 1999; Furtado, 1989; Lapa, 1986; Prado Júnior, 1973; Catelli Junior, 1992).

For sure, the stabilization plans to deal with the price crisis after the five-year plan was over had no results. Either because of the nature of the economic deceleration, reducing the amount of money and its circulation in the economy, during the brief Quadros' government (1961), or the measures, which did not even come off the paper, from the Goulart government (1961-1964) to resolve bottlenecks in food production through agrarian reform.

The unstable post-war democratic republic comes to an end with the 1964 coup. The civic-military dictatorship from 1964 to 1985 sought to stabilize the economy by controlling inflation by authoritarian fixing wages and inducing growth through heavy investments and large foreign debt.

¹²⁰ Available at:
https://edisciplinas.usp.br/pluginfile.php/5291773/mod_resource/content/1/Plano%20de%20Metas.pdf
Accessed on 01/01/2022

5.3. The Brazilian authoritarian developmentalism

The growth of the industry in Brazil was not always a product of the political will of government officials. Import substitution was often the result of the adverse conditions that government officials faced, and not necessarily actions out of concern with a development policy. As the country's population increased, Brazil was forced to produce a portion of what was consumed domestically, or the country would have to interrupt (or at least reduce) the rate of economic growth. This was due to external restrictions - exports did not generate enough foreign exchange to buy industrialized products in the amount necessary to support a growing population with rising per capita income. Industrialization in Brazil was imperative given the balance of payments conditions. The only alternative to import substitution, at that time, was the adjustment of the level of internal consumption to the availability of foreign currency, and this was considered not prudent at the beginning of a coup government by the new cabinet (Delorme Prado, 2010).

The regime largely ignored the country's social issues but took the necessary measures to pursue growth. On the one hand, the stabilization policy it adopted initially was not radical with a progressive reduction in inflation. The fiscal reform increased the State's capacity to intervene in the economy, one of the key elements of the accelerated growth in the 1970s. On the other, convergent with the ideas of society segments that supported the military dictatorship, concerns about social justice, with problems such as access to land and/or income distribution, were put on hold. Permanently (Delorme Prado, 2010).

5.3.1. Industrialization under dictatorship: roots and legacy

The first years of the military governments were not marked by significant advances in Brazilian industrialization, nor by large projects, as the country faced a difficult situation of external indebtedness, resultant of the policy of internationalization of the economy implemented by the Kubitschek government, who had sought foreign loans for investment in durable consumer goods industries.

Between 1945 and 1960, the Brazilian GDP grew around 6.3% a year (TABLE 26). In the early 1960s, the import substitution process achieved considerable success. However, the country still had a backward agrarian structure and growing conflicts between progressive social forces and those that resisted and feared their demands for change. Between 1961 and 1967, economic growth slowed down (TABLE 27). The debates around the economic and political reasons for this loss of dynamism help understand the policies undertaken by authoritarian

governments in Brazil to resume economic growth (Delorme Prado, 2010; Furtado, 1989; Lapa, 1986; Prado Júnior, 1973)

TABLE 26: Brazilian GDP growth, population, GDP per capita (1945-1960 and 1961-1967).

| YEAR | POPULATION | | PIB | | PIB PER CAPITA | | |
|------|------------|---------------|------------------------------------|---------------|------------------|----------------|---------------|
| | Residents | Variation (%) | In reais of 1999 (R\$ millions) | Variation (%) | In reais of 1999 | In USD of 2000 | Variation (%) |
| 1945 | 45,592,012 | 2.4 | 54,120 | 3.20 | 1,187 | 649 | 0.82 |
| 1946 | 46,716,901 | 2.5 | 60,398 | 11.60 | 1,293 | 706 | 8.91 |
| 1947 | 47,914,604 | 2.6 | 61,848 | 2.40 | 1,291 | 705 | -0.16 |
| 1948 | 49,184,989 | 2.7 | 67,847 | 9.70 | 1,379 | 754 | 6.87 |
| 1949 | 50,527,615 | 2.7 | 73,071 | 7.70 | 1,446 | 790 | 4.84 |
| 1950 | 51,941,767 | 2.8 | 78,040 | 6.80 | 1,502 | 821 | 3.89 |
| 1951 | 53,426,485 | 2.9 | 81,864 | 4.90 | 1,532 | 837 | 1.98 |
| 1952 | 54,980,590 | 2.9 | 87,840 | 7.30 | 1,598 | 873 | 4.27 |
| 1953 | 56,602,714 | 3.0 | 91,969 | 4.70 | 1,625 | 888 | 1.70 |
| 1954 | 58,291,319 | 3.0 | 99,142 | 7.80 | 1,701 | 929 | 4.68 |
| 1955 | 60,044,720 | 3.0 | 107,867 | 8.80 | 1,796 | 982 | 5.62 |
| 1956 | 61,861,108 | 3.0 | 110,995 | 2.90 | 1,794 | 980 | -0.12 |
| 1957 | 63,738,568 | 3.0 | 119,542 | 7.70 | 1,876 | 1,025 | 4.53 |
| 1958 | 65,675,093 | 3.0 | 132,452 | 10.80 | 2,017 | 1,102 | 7.53 |
| 1959 | 67,668,599 | 3.0 | 145,433 | 9.80 | 2,149 | 1,174 | 6.57 |
| 1960 | 69,716,943 | 3.0 | 159,103 | 9.40 | 2,282 | 1,247 | 6.19 |

TABLE 27: Brazilian GDP growth, population, GDP per capita (1945-1960 and 1961-1967).

| | | | | | | | |
|------|------------|-----|---------|------|-------|-------|-------|
| 1961 | 71,817,925 | 3.0 | 172,786 | 8.60 | 2,406 | 1,315 | 5.42 |
| 1962 | 73,969,307 | 3.0 | 184,190 | 6.60 | 2,490 | 1,361 | 3.50 |
| 1963 | 76,168,814 | 3.0 | 185,295 | 0.60 | 2,433 | 1,329 | -2.30 |
| 1964 | 78,414,141 | 2.9 | 191,595 | 3.40 | 2,443 | 1,335 | 0.44 |
| 1965 | 80,702,958 | 2.9 | 196,193 | 2.40 | 2,431 | 1,328 | -0.50 |
| 1966 | 83,032,912 | 2.9 | 209,338 | 6.70 | 2,521 | 1,378 | 3.71 |
| 1967 | 85,401,623 | 2.9 | 218,131 | 4.20 | 2,554 | 1,396 | 1.31 |

SOURCE: Author's adaptation of <https://seculoxx.ibge.gov.br/>

By the early 1960s, Brazil was already one of the largest industrial parks in Latin America. Import substitution changed the country's production structure and, contrary to what the name suggests, at the same time, it increased demand for imports. In other words, the import substitution process was not about reducing imports but about changing their pattern. What Brazil imported in the 1920s were final consumer products (non-durable and durable), including textiles, transport materials, and even food, and exported coffee, which represented 3/4 of the Brazilian export basket. Import substitution changed the agenda of what was acquired abroad, increasing the demand for capital goods and intermediate goods, and allowed Brazil to diversify its export agenda, including growing participation of manufactured products. However, and regardless of its industrial base, Brazil had not solved the problem of structural heterogeneity. In other words, it remained -and remains until this day- a broken society, where economic differences have been so significant that they turned into qualitative differences. The two halves of society did not recognize themselves as part of the same public order (Abreu, 1994, 1999; Furtado, 1989; Lapa, 1986; Prado Júnior, 1973; Catelli Junior, 1992; Delorme Prado, 2010).

Also in the early 1960s, progressive intellectuals and politicians linked to left-wing, or populist parties began to press for a set of reforms, considered essential for the continuity of the economic development process. Conservative thought and the parties linked to it opposed the grassroots reforms, which aimed to unify its population. While the developmental view of the time said that the State should carry out economic planning and economic and social interventions to incorporate these populations, the conservative agenda claimed that the country's economic ills were the result of populist policies undertaken by the State, captured by parties, and ideas, of the left. This conflictual block power agenda was resolved by the military coup in 1964, supported by sectors of the urban middle class and plutocrats, who feared grassroots reforms and launched a series of conservative reforms. (Dreifuss, 1981; Campos, 2014).

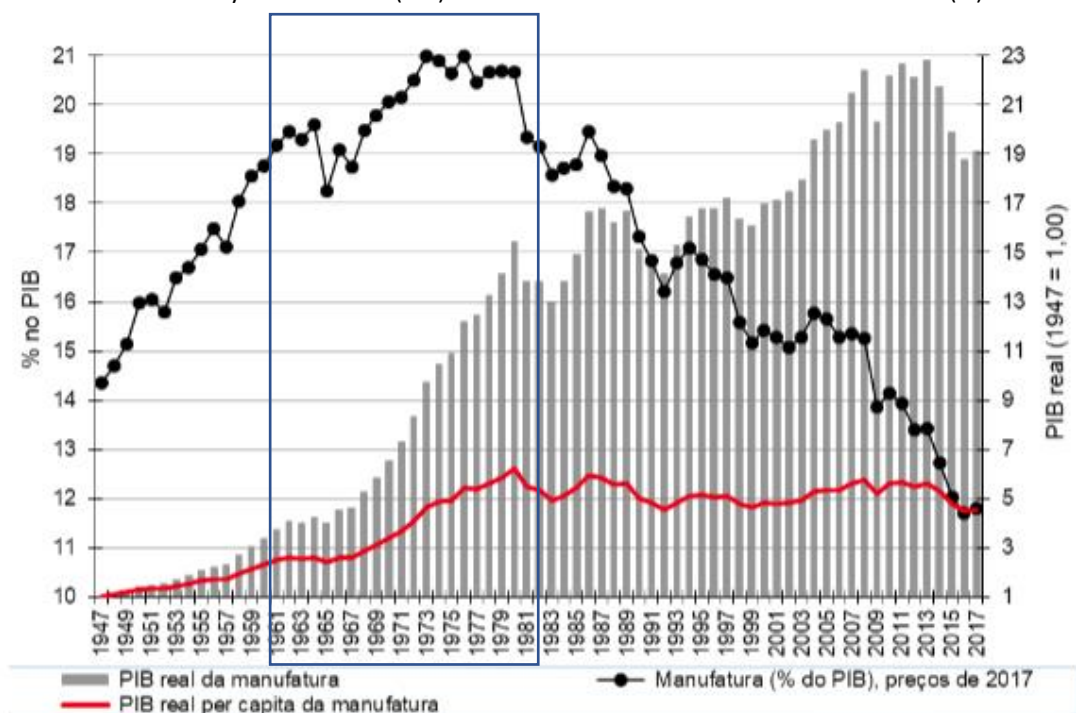
Throughout the military period, there was industrial growth and reforms. The first period of military governments, which ran from 1964 to 1967, was marked by a downturn in the economy and modest industrial growth. From 1968 onwards, however, the country experienced a new phase of its economy and its industrialization process. The financial recovery was a result of internal and external factors. Internally because of the tax reform, creation of compulsory savings funds¹²¹, and expansion of credit, Externally, as the growth of the world economy allowed the military governments access to foreign credit, enabling indebtedness and creating

¹²¹ PIS, PASEP, FGTS.

space for the diversification and growth of Brazilian exports. Both factors laid the foundations for the moment considered the “Brazilian miracle” from 1968 to 1973.

To legitimize their authoritarian power, the regime invested heavily in impact infrastructure in areas such as transport and energy that projected greatness to advertise the virtues of the regime and the greatness of the country. The average annual percentage of industrial growth was 12.7% between 1968 and 1973 (GRAPHIC 24). GDP grew 11.3% between 1968 and 1973, surpassing by far the previous period of 1964-1967 when the average annual growth had been 3.2% (TABLE 28).

FIGURE 27: Brazil: Industry Share in GDP (PIB) and Real Industrial Production - 1947 to 2017 (%)



SOURCE: Paulo César Morceiro, “(De)industrialization and Long-Term Stagnation of Brazilian Manufacture, 2018.” Available at: <https://dcomercio.com.br/categoria/economia/pais-enfrenta-um-processo-de-desindustrializacao> Accessed on 02/02/22

TABLE 28: Brazilian GDP growth, population, GDP per capita (1968-1985).

| Year | Population | | PIB | | PIB per capita | | |
|------|-------------|---------------|------------------------------------|---------------|------------------|----------------|---------------|
| | Residents | Variation (%) | In reais of 1999 (R\$ millions) | Variation (%) | In reais of 1999 | In USD of 2000 | Variation (%) |
| 1968 | 87,806,688 | 2.8 | 239,507 | 9.80 | 2,728 | 1,490 | 6.79 |
| 1969 | 90,245,674 | 2.8 | 262,261 | 9.50 | 2,906 | 1,588 | 6.54 |
| 1970 | 92,716,114 | 2.7 | 289,536 | 10.40 | 3,123 | 1,706 | 7.46 |
| 1971 | 95,215,497 | 2.7 | 322,378 | 11.34 | 3,386 | 1,850 | 8.42 |
| 1972 | 97,741,263 | 2.7 | 360,871 | 11.94 | 3,692 | 2,017 | 9.05 |
| 1973 | 100,290,788 | 2.6 | 411,280 | 13.97 | 4,101 | 2,241 | 11.07 |
| 1974 | 102,861,374 | 2,6 | 444,815 | 8.15 | 4,324 | 2,363 | 5.45 |
| 1975 | 105,450,234 | 2.5 | 467,797 | 5.17 | 4,436 | 2,424 | 2.58 |
| 1976 | 108,054,473 | 2.5 | 515,780 | 10.26 | 4,773 | 2,608 | 7.60 |
| 1977 | 110,671,072 | 2.4 | 541,230 | 4.93 | 4,890 | 2,672 | 2.45 |
| 1978 | 113,296,870 | 2.4 | 568,128 | 4.97 | 5,015 | 2,740 | 2.54 |
| 1979 | 115,928,535 | 2.3 | 606,531 | 6.76 | 5,232 | 2,859 | 4.34 |
| 1980 | 118,562,549 | 2.3 | 662,332 | 9.20 | 5,586 | 3,052 | 6.77 |
| 1981 | 121,154,159 | 2.2 | 634,183 | -4.25 | 5,235 | 2,860 | -6.30 |
| 1982 | 123,774,229 | 2.2 | 639,447 | 0.83 | 5,166 | 2,823 | -1.30 |
| 1983 | 126,403,352 | 2.1 | 620,711 | -2.93 | 4,911 | 2,683 | -4.95 |
| 1984 | 129,025,577 | 2.1 | 654,230 | 5.40 | 5,071 | 2,770 | 3.26 |
| 1985 | 131,639,272 | 2.0 | 705,587 | 7.85 | 5,360 | 2,929 | 5.71 |

SOURCE: Author's adaptation of <https://seculoxx.ibge.gov.br/>

The first oil crisis, in 1973, caused the granting of loans to decrease, taking Brazil to a crossroads. The growth in the economic miracle period was partly based on wage squeeze. In a world context, multinational companies reduced their costs by setting up in countries with cheap labor, fragile environmental legislation, extensive natural resources, and minimum basic infrastructure. With the increase in indebtedness and the new international oil crises in 1979, the interest on the debt increased significantly. The measure of issuing paper money in the market only served to explode inflation, causing economic retraction and industrial production, providing the end of the military period and the entry into a democracy with a country in severe economic disarray (Fishlow, 1974, 1986).¹²²

¹²² Available at: <https://ppe.ipea.gov.br/index.php/ppe/article/viewFile/1019/958> Accessed on 02/02/22

5.3.2. Institutional arrangements and the developmental agenda: 1964-1979

During the dictatorship, institutions were created and adapted to foster a developmental agenda: agrarian reform,¹²³ taxation,¹²⁴ university access,¹²⁵ and urbanization¹²⁶ are some examples.

In several presidential speeches during the dictatorial period,¹²⁷ it was advertised that the coup government would cope with the challenge of incorporating in the developmental agenda

¹²³ Concerning agrarian reform see http://www.planalto.gov.br/ccivil_03/decreto-lei/1965-1988/del1110.htm

¹²⁴ Concerning taxation see <https://www.gov.br/receitafederal/pt-br/aceso-a-informacao/institucional/memoria/imposto-de-renda/historia/1964-a-1967-a-reforma-tributaria>

¹²⁵ During the military dictatorship there was the so-called university reform, something that had already been raised in Goulart's government in 1960. The public university has always represented a place of debate that in many circumstances opposed the government, especially to authoritarian governments. However, at that time the university was extremely elitist, thus having a great interest of the Brazilian elite in maintaining it. The dictatorial Brazilian government's interest in maintaining the university also had a plan to win over students and professors. Thus, there was a certain appreciation of universities through the creation of departments, creation of a national postgraduate system, increase in the number of scholarships. This appreciation seems to be extremely contradictory, but if analyzed in a political way it was strategic and to some extent intelligent, because despite not being able to stop the university demonstrations against the coup, it managed, for a period, to ease the tensions between the government and students. It was a "shut up" done in the face of the growing economy of the time. At the time of the university reform, there was also greater support for the training of engineers, economists, and technologists, with the justification that they are strategic areas for the country's growth. See University Reform at: <https://www2.camara.leg.br/legin/fed/lei/1960-1969/lei-5540-28-novembro-1968-359201-publicacaooriginal-1-pl.html>

¹²⁶ Available at: <https://www.scielo.br/j/rbeur/a/xdZ7GGtZs3JJFj5JFbSnWsG/?lang=pt> (In 1964, after the Military Coup that overthrew the João Goulart government, the new government that was established created the Housing Financial System together with the National Housing Bank [Banco Nacional de Habitação (SFH/BNH)], with the mission of "stimulating the construction of housing of and the financing of home ownership, especially by lower income classes." [Law No. 4 380/64 of August 21, 1964]. See http://www.planalto.gov.br/ccivil_03/leis/l4380.htm)

¹²⁷ The four military governments, during 1964 and 1979, envisage these reforms. In general, they reproduce the ideas of Castello Branco, the first military president, as in the excerpts from some of his speeches, stressing progress and social justice for all, as seen below:

"Agora, espero em Deus corresponder às esperanças de meus compatriotas, nesta hora tão decisiva dos destinos do Brasil, cumprindo plenamente os elevados objetivos do Movimento vitorioso de abril, no qual se irmanaram o Povo inteiro e as Forças Armadas, na mesma aspiração de restaurar a legalidade, revigorar a democracia, restabelecer a paz e promover o progresso e a justiça social."

"Now, I hope in God to respond to the hopes of my compatriots, in this very decisive hour of the destiny of Brazil, fully fulfilling the lofty objectives of the victorious Movement of April, in which the entire People and the Armed Forces joined together, in the same aspiration to restore legality, reinvigorate democracy, restore peace and promote progress and social justice." (President: Castello Branco/Speech: Brasília. April 11, 1964/Category: Inaugural Speech (IS) Subject: THROUGH RADIO AND TV, SALUTING THE BRAZILIAN PEOPLE, AFTER HAVING BEEN ELECTED PRESIDENT OF THE REPUBLIC BY THE NACIOKAL CONGRESS (ATRAVÉS DO RADIO E DA TV, SAUDANDO O POVO BRASILEIRO, APÓS TER SIDO ELEITO PRESIDENTE DA REPÚBLICA PELO CONGRESSO NACIOKAL).

the mass of the Brazilian population through the promotion of the beforementioned agrarian reform and other social reform programs, such as the urban, university, and economic -tax, fiscal and administrative. Naturally, without giving to them a "red" color, and, at the same time, keep

“Promoverei, sem desânimo, sem fadiga, o bem-estar geral do Brasil. Não medirei sacrifícios para que esse bem-estar se eleve, tão depressa quanto racionalmente possível, a todos os brasileiros e, particularmente, àqueles que mourejam e sofrem nas regiões menos desenvolvidas do País. À arrancada para o desenvolvimento econômico, pela elevação moral, educacional, material e política, há de ser o centro das preocupações do Governo. Com esse objetivo, o Estado não será estorvo à iniciativa privada, sem prejuízo, porém, do imperativo da justiça social devida ao trabalhador, fator indispensável à nossa prosperidade. Até porque, estou entre os que acreditam nos benefícios de uma constante evolução capaz de integrar, em melhores condições de vida, o número, cada vez maior, de brasileiros, muitos deles infelizmente ainda afastados das conquistas da civilização.”

“I will promote, without discouragement, without fatigue, the general well-being of Brazil. I will not measure sacrifices so that this well-being can rise, as quickly as rationally possible, to all Brazilians and, particularly, those who toil and suffer in the country's less developed regions. Material and political must be the center of the Government's concerns. With this objective, the State will not hinder the private initiative, without prejudice, however, to the imperative of social justice due to the worker, an indispensable factor for our prosperity. Especially because, I am among those who believe in the benefits of a constant evolution capable of integrating, in better living conditions, the increasing number of Brazilians, many of them unfortunately still far from the achievements of civilization.” (President: Castello Branco/ Speech: Brasília, April 15, 1964. Category: IS/ Subject: BEFORE THE NATIONAL CONGRESS, WHEN TAKING POSSESSION AS PRESIDENT OF THE REPUBLIC (PERANTE O CONGRESSO NACIONAL, AO TOMAR POSSE NO CARGO DE PRESIDENTE DA REPÚBLICA).

“Assim, identificados com aqueles ideais, nos quais encontramos indissolavelmente reunidos um forte desejo de progresso e aperfeiçoamento e inabalável fé nas excelências da liberdade, o Governo que ora se inicia está certo de não decepcionar o povo brasileiro. Não será um governo voltado apenas para o passado, mas um governo fundamentalmente preocupado com o futuro, que deverá atender às justas e crescentes aspirações de milhões de brasileiros, especialmente os mais jovens e que estão a reclamar dignas e adequadas condições de vida. Condições que, certamente, não alcançaremos sem levar a cabo algumas reformas destinadas a abrir novos caminhos e novos horizontes, para a ascensão de cada qual na medida da sua capacidade.”

“Thus, identified with those ideals, in which we find indissolubly united a strong desire for progress and improvement and unshakable faith in the excellencies of freedom, the Government that is now starting is sure not to disappoint the Brazilian people. It will not be a government focused only on the past, but a government fundamentally concerned with the future, which will have to meet millions of Brazilians' just and growing aspirations, especially the younger ones, who are demanding dignified and satisfactory living conditions. Conditions that we will certainly not achieve without carrying out some reforms aimed at opening new paths and new horizons, for the ascension of each one to the extent of their ability.” (President Castello Branco/Speeches: Ouro Preto. April 21, 1964. Category: (Celebration Date) ACD/Subject: IN THE CELEBRATIONS OF THE DAY OF TIRADENTS (NAS COMEMORAÇÕES DO DIA DE TIRADENTES).

the upper and middle-class support (Dreifuss, 1981). Thus, reforms would resume development, promote social justice, and create space for citizenship but were implemented with a conservative bias.

As before mentioned, growth was a must. However, it required resources. Taxation was a partial solution to it, and an essential mechanism to implement the institutional reforms. Although the State had been enlarging its role in Brazilian society, it still faced difficulties obtaining the necessary resources needed for implementing its developmental initiatives. In this sense, the military administration managed to carry out a tax reform that completely changed the State's financing bases by establishing the Tax on Industrialized Products (IPI) and the Tax on Merchandise Circulation (ICM). It thus rejected a shock treatment for the inflation problem issue, as the IMF wanted, and instituted monetary correction, an indexation mechanism based on past inflation, and maintained economic growth. Moreover, other significant changes were made. The Central Bank was created, and much-needed reform in the banking structure was implemented, separating the activities of the banks. At the other end, the military administration suppressed an old worker's right, job stability, and, in turn, created the Employment Compensation Fund -FGTS and savings accounts, placing a housing plan on the State's agenda (Delorme Prado, 2010).

The National Bank for Economic Development -BNDE was created in the 1950s as a long-term financing alternative, but its funding sources were limited. In turn, Banco do Brasil -BB and Caixa Econômica Federal -CEF carried out the work of short-term financing, mainly linked to working capital. There were still severe limitations for financing investment in the industrial sector and investment in infrastructure. Without funding, the developmental agenda would indeed be compromised. The way out of this dead-end was to access foreign money (Delfim Netto, 1970, Fishlow, 1974)

Through internal institutional arrangements and external financing, the State had promoted significant investments in the economy by the late 1960s, resulting in a more diversified industrial structure focused on the petrochemical and refined chemical sectors and social programs, including housing.

Developmental State agendas were not a novelty in Brazil. Neither were the difficulties concerning their implementation, regardless of the inexistence of the economic concept until Johnson formulated it in 1982. The novelty was that each time they were presented under different premises but similar implementation mechanisms. Since 1930, with the rise of Vargas to power, the course of economic policy in Brazil has been guided by them. However, the

presidential governments between the 1930s and 1985 presented different political lines under different political regimes. Thus, for example, both the Kubitschek government (1956-1961), with a liberal-democratic political line and the Médici government, with a liberal-authoritarian orientation, have implemented developmental economic policies. During the Médici government (1970-1975), "developmentalism without a concept" was configured in the Goals and Bases for Government Action and ratified by the First National Development Plan (PND I).

The Médici military government's Program of Goals and Bases for Action (1970-1973)¹²⁸ aimed to include Brazil in the list of developed countries by achieving economic growth between 8% and 9% and expanding the jobs on average of 3% between the years 1970 and 1973. The following National Development Plan (PND II) had the same goal as the previous plan with the difference that it was instituted by law 5,727/71. Guidelines implemented between 1972 and 1974 were regulated by Law 5,727/71, thus expanding the Program's scope that originated as a set of political directives and targeting. The PND I document had proposed ten goals achievements for the country:

- I – Social transformation through processes of competition and integration;
- II – Modernization of the national firm;
- III – Efficient Government action;
- IV – Intense mobilization of the national financial system and the capital market;
- V – Implementation of the National Technological Policy (Focusing on sectors that would make the primary industry viable, such as Electric Energy, Nuclear Technology, Oil, Telecommunications, Steel, Mineral Research and Sidereal Research);
- VI – Use of the country's human resources (Including the MOBRAL Literacy program and the University Reform);
- VII – Implementation of Large Investment programs;
- VIII – Implementation of National Integration (Performed by the National Integration Plan – PIN and by PROTERRA);
- IX – Social Integration (through the programs: PIS, PASEP, Pró-Rural and companies' opening of capital); and
- X – External Economic Strategy (encouraging the manufacturing industry, minerals, and the production of non-traditional agricultural inputs). (Cf. PND I, 1971:7-9)

Financing was to be provided by Banco do Brasil, Caixa Econômica Federal, the BNDE, and other government financial institutions. Achieving the goals would make feasible the country's three main objectives: I – raise Brazil to the status of a developed country within one generation; II – double the per capita income from 1969 and sustain a GDP growth around 9% and 10% per year; and III – expansion of job creation and inflation control.¹²⁹

¹²⁸ Programa de Metas e Bases para a Ação do Governo (in its original name in Portuguese)

¹²⁹ Available at: http://www.biblioteca.presidencia.gov.br/publicacoes-oficiais/catalogo/medici/i-pnd-72_74 Accessed on 01/01/2022

From 1971 to 1973, manufacturing grew 13%; durable consumer goods, 23%, driven by the home appliance industry; and capital goods, 18%. Transport, automobile, naval, electrical, and communication material also grew significantly. The peak when industrial capacity reached 100% was at the 1972-1973 cycle. Significant investments were also made in civil construction, mainly housing (Delorme Prado, 2010).

The country's economic upswing during Médici's government was accompanied by the apex of repression by the military regime, which restricted the press and political demonstrations. Further, income distribution stalled and concentrated, enlarging socioeconomic disparities. Even after launching a second phase of the National Development Plan, the PND II (1974-1979), this situation remains unaltered. In the end, the argument that the country's developmental agenda encompassed the whole nation could not be supported by available evidence. The dictatorial regime, voluntarily or involuntarily, did not need votes to legitimize itself. It needed growth, and so it sought.

Therefore, between 1968 and 1980, the Brazilian economy experienced accelerated growth, under an authoritarian government, through firm interventionist policy, resulting in economic growth and social imbalances. The 1980 year marks the end of a 12-year growth cycle and the end of a long-term trend: industrial growth based on import substitution. In other words, the crisis of the 1980s was not just an international context situational crisis. Instead, it was an inflection point in the growth model based on import substitution, which now reached its limits.

5.4. Undoing the failure misconception

To understand the outcomes from the end of the 1970s onwards and their connections with economic nationalism and nation-building patterns that ideologically oriented the authoritarian DS regimes, one must identify the junctures between the regime's promises in presidential speeches, and business interests and governance arrangements, industrial and agrarian, in public policies implemented. This identification contemplated: 1- a conflictive State-declared agenda, 2- a never-implemented agrarian reform, 3- internal and external funding and the State allocation of resources, and 4- coordination and discipline as operational mechanisms for the implementation of such a developmental agenda. Once done, one can assess whether the DS achieved its stated objectives and whether one can talk of the failure of the developmental agenda.

5.4.1. Business interests and State promises: a conflictual agenda

In Brazil, both the political regime and the ideological choices accommodated industrial and agrarian business interests. It is impossible to understand them without considering these national and international capital interests and their relationship with the State. To what extent did business groups shape the regime's developmental agenda? To what extent did they seek benefits? To what extent did they benefit? Moreover, which sectors were most relevant to the achievement of the developmental military project?

According to the literature, national and international business communities were involved in the outbreak of the 1964 coup, which established an authoritarian regime in Brazil lasting until 1985. For Dreifuss (1981), the overthrow of the Goulart government (1961 - 1964) and the State goals definition and the supporting policies were shaped by the national and international capital joint community. Dreifuss argues that businesses, huge national groups, and multinational companies were involved with the coup and supported sustaining the regime, including financing repressive actions. He claims a clear class profile: civil-business-military coup. Campos (2014) relativized this profile a little, saying that the coup was devoid of a class bias insofar as not the entire society or the entire business community supported it. Nevertheless, for both authors, the business community and the national bourgeoisie's participation were decisive in the coup government's development and maintenance. Business representatives played critical roles in government. They played a vital role in supporting the coup pact (Campos, 2014), acting as ministers, presidents of State companies, and appointed mayors, among others, grouped around trade unions and class associations (Dreifuss, 1981; Campos, 2014).

The protectionist policy was one of the domestic businesses' benefits for support. However, it cannot be viewed as a nationalist measure or a component of its developmental agenda. Protectionism served the mutual interest of business and the military to internationalize domestic companies. Internationalization serves to project the idea of a thriving country, home of multinational companies, to Brazilian society and thus enhancing the regime's performance (Dreifuss, 1981). The nationalist policy's aim was not to aggrandize the nation but to tend to domestic business interests and assist the perpetuation of the military in power.

The tax burden increased to meet the increase in public expenditure (TABLE 29 and FIGURE 28). This mainly benefited business sectors as accrued taxes funded infrastructure rather than social spending, education, and health. The budget for social areas decreased (FIGURES 29 and 30) due to a legal provision implemented in the 1967 Constitution extinguishing a minimum compulsory expenditure on health and education (Campos, 2014).

TABLE 29: Global Tax Burden — 1960/87 (BRAZIL). In GDP %

| YEAR | BURDEN | YEAR | BURDEN | YEAR | BURDEN | YEAR | BURDEN |
|------|--------|------|--------|------|--------|------|--------|
| 1960 | 17.41 | 1967 | 20.47 | 1974 | 25.05 | 1981 | 25.25 |
| 1961 | 16.38 | 1968 | 23.29 | 1975 | 25.22 | 1982 | 26.34 |
| 1962 | 15.76 | 1969 | 24.87 | 1976 | 25.14 | 1983 | 26.97 |
| 1963 | 16.05 | 1970 | 25.98 | 1977 | 25.55 | 1984 | 24.34 |
| 1964 | 17.02 | 1971 | 25.26 | 1978 | 25.70 | 1985 | 24.06 |
| 1965 | 18.99 | 1972 | 26.01 | 1989 | 24.66 | 1986 | 26.19 |
| 1966 | 20.95 | 1973 | 25.05 | 1980 | 24.52 | 1987 | 23.77 |

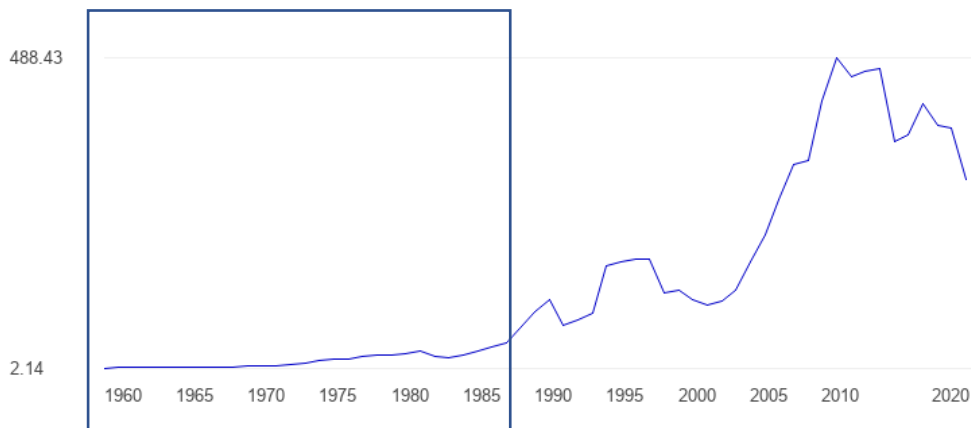
SOURCE: National Accounts of Brazil. From 1980 onwards, the methodology was used of the national accounts (old system), with adjustments to the values extracted from the balance sheets, especially pension/FEF. From 1990 onwards, there were GDP values obtained by IBGE with the new methodology of national accounts. (Author’s adaptation).

Available at:

https://www.gov.br/secretariadegoverno/pt-br/portalfederativo/biblioteca-federativa/estudos/td_0583.pdf

* Estimates.

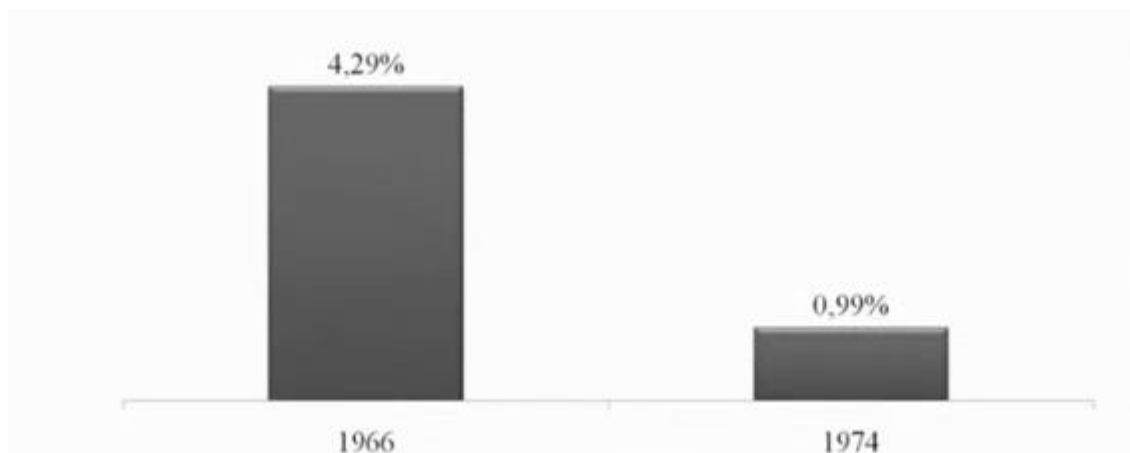
FIGURE 28: Brazil: Government spending, billion USD, 1960 - 2020



SOURCE: https://www.theglobaleconomy.com/Brazil/government_spending_dollars/

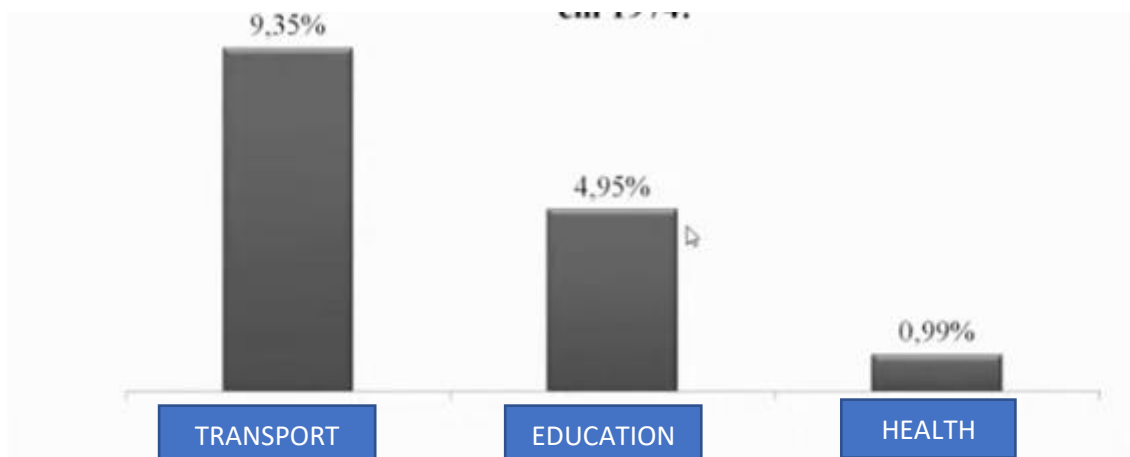
General government final consumption expenditure (formerly general government consumption) includes all government current expenditures for purchases of goods and services (including compensation of employees). It also includes most expenditures on national defense and security but excludes government military expenditures that are part of government capital formation. The average value for Brazil during that period was 131.63 billion U.S. dollars with a minimum of 2.14 billion U.S. dollars in 1960 and a maximum of 488.43 billion U.S. dollars in 2011. The latest value from 2020 is 296.07 billion U.S. dollars. For comparison, the world average in 2020 based on 128 countries is 60.60 billion U.S. dollars.

FIGURE 29: Brazil expenditures in the health area (percentage) – Federal Budget- 1966 and 1974.



SOURCE: JORGE, Wilson Edson. A Política Nacional de saneamento pós-64. Tese de doutoramento em arquitetura e urbanismo. São Paulo. USP, 1987.

FIGURE 30: Brazil 1974 Comparative Federal Budget of Ministry of Transport, Ministry of Education and Culture, and Ministry of Health.



SOURCE: Campos, Pedro Henrique Pedreira. “Estranhas Catedrais”: as empreiteiras brasileiras e a ditadura civil-militar. Niterói: Eduff, 2014.

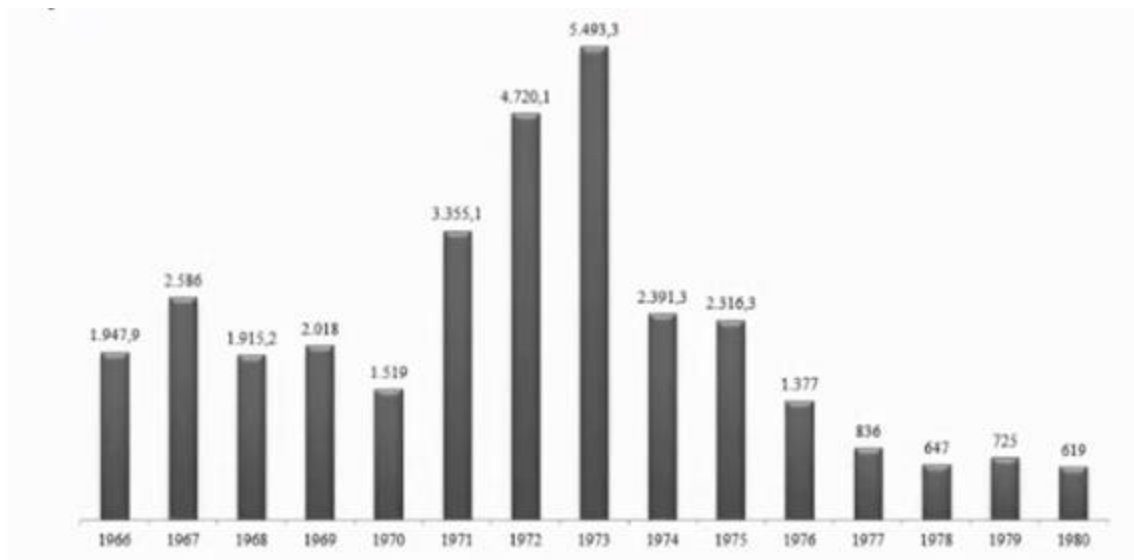
For Campos (2014), this perverse aspect of the regime's policy took resources away from social areas, leaving the population unassisted¹³⁰. A declining labor share and a lower share of education and health in the federal budget contributed to rising social inequality. Thus, these resources were directed to the military ministries and those associated with infrastructure

¹³⁰ For example, at that time, an outbreak of meningitis ravaged the country due to precarious housing conditions and the scrapping of public health institutions (Campos, 2014).

investments to carry out public works of dubious priority, such as the trans-Amazon highway and other large-scale engineering works.

More considerable investment in building roads, exemplified by a record rate of road construction, had a direct positive impact on the formation of business groups in the construction industry. Compared to Kubitschek's five-year plan, which envisioned the construction of 10,000 km of haul roads in five years, the year 1973 alone saw the building of 5,493 km (FIGURE 31).

FIGURE 31: Brazil - Road building, 1966-1980.

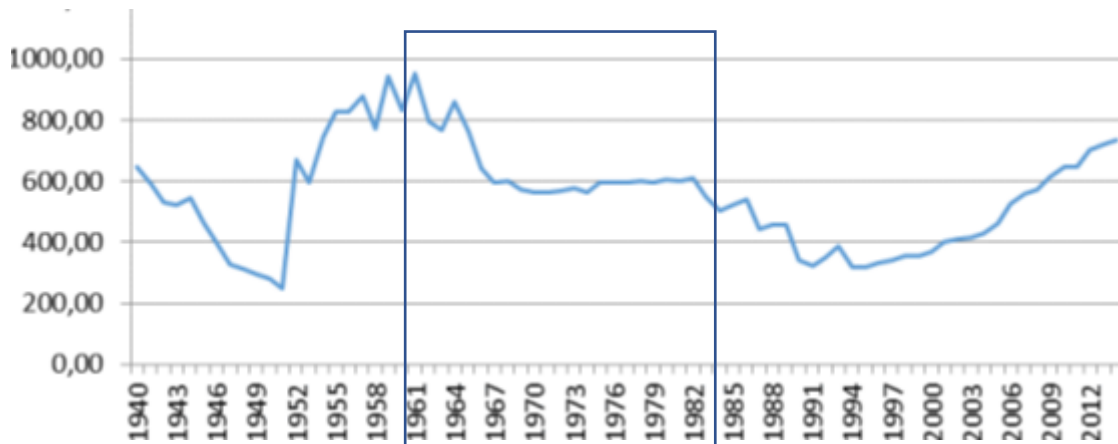


SOURCE: ALMEIDA, Júlio Sérgio Gomes de; DAIN, Sulamis; ZONINSEIN, Jonas. *Indústria de Construção e Política Econômica Brasileira do Pós-Guerra: relatório de pesquisa*. Rio de Janeiro: IEI/UFRJ, 1982.

The policy favored large building construction companies and equipment manufacturers for infrastructure, such as hydroelectric plants. Nevertheless, the pulp and paper, aluminum, petrochemicals, and steel industries also received significant government financial support and enhanced local technology in these areas, particularly in petrochemicals (Dreifuss, 1981, Campos, 2014).

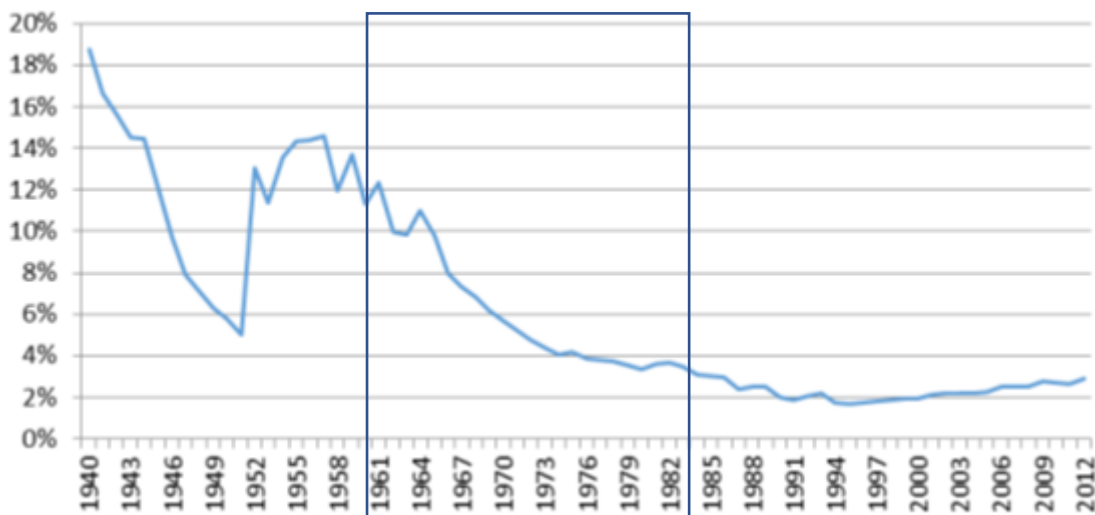
Further, coupled with intense repression of workers' activism over industrial action, the regime led the workforce to enormous wage restraint. As seen in Figures 32 and 33, the minimum-wage lost half of its purchasing power in the first ten years of the regime, as its wage adjustments were below inflation.

FIGURE 32: Brazil - Evolution of the minimum-wage in Reais (R\$).



SOURCE: IPEADATA. Available at <file:///C:/Users/ADM/Desktop/14546-Texto%20do%20artigo-53930-1-10-20190724.pdf>

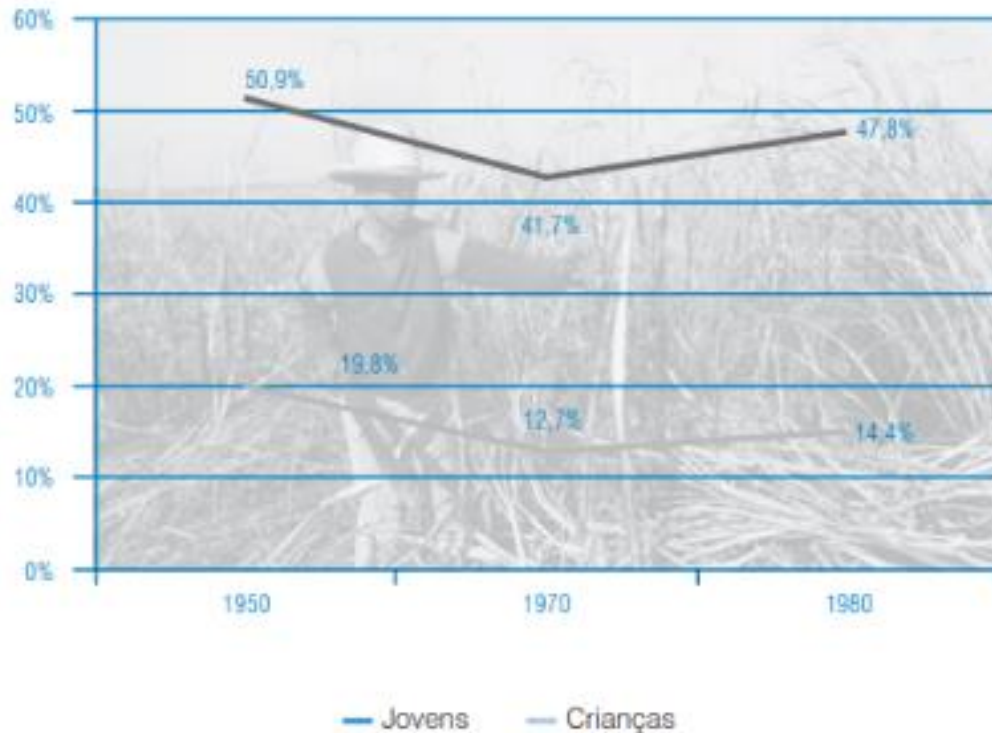
FIGURE 33: Evolution of the minimum-wage purchasing power in percentage.



SOURCE: IPEADATA. Available at <file:///C:/Users/ADM/Desktop/14546-Texto%20do%20artigo-53930-1-10-20190724.pdf>

Such fall meant that the poorest families had to resort to child labor legally facilitated during the regime. The 1967 Constitution, in the Title of Economic and Social Order, although it had maintained the ban on the night and unhealthy work for people under 18, in authentic social retrogression, reduced the minimum age for any job from 14 to 12. This was due to the need to train the workforce for the growing industries in Brazil, which contradicted the determinations of the ILO. Labor-company agreements facilitated worker's overtime. Nevertheless, data raises an intriguing point since, contrary to the expected, the child labor force decreased during the period (FIGURE 34). This issue requires further analysis.

FIGURE 34: Brazil - Percentage of children (Crianças) (10 to 14 years old) and youth (Jovens) (15 to 19 years old) workers in the total of the respective age groups, Brazil, 1950-1980

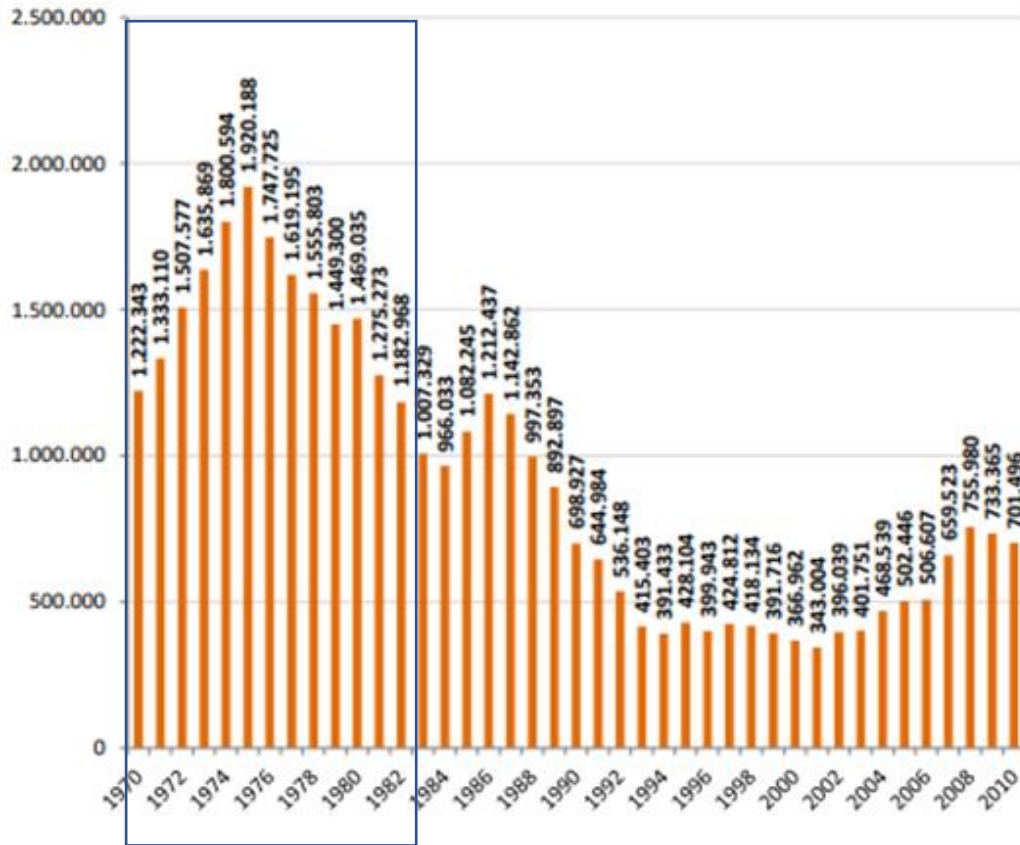


SOURCE: Data from the IBGE Demographic Censuses; extracted from Retratos do Brasil, 1985, v.2, p.303. Available at:

https://www.ilo.org/wcmsp5/groups/public/---americas/---ro-lima/---ilo-brasilia/documents/publication/wcms_233633.pdf pg. 20

The number of work accidents increased as the regime relaxed the companies' inspections related to work safety items. Brazil became the international record holder in the number of work accidents (FIGURE 35).

FIGURE 35: Number of work accidents in Brazil (1970-2010).



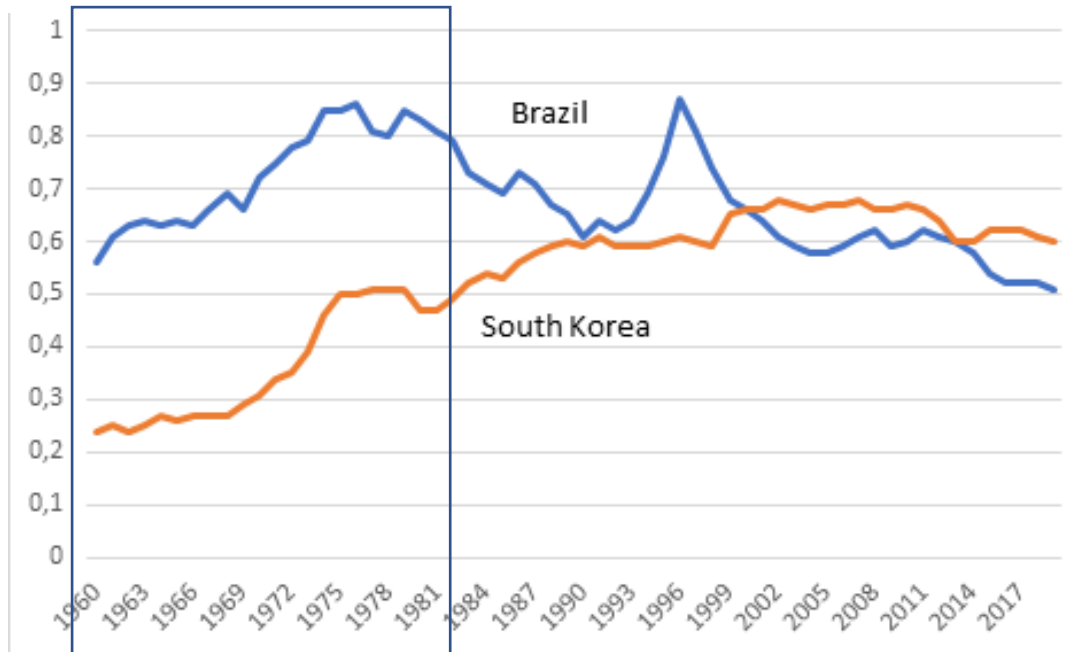
SOURCE: Graphic prepared by the Interunion Department of Studies and Research of Health and Work Environments (DIESAT), based on the Yearbooks Statistics on Work Accidents in Brazil, from Social Security. Available at: http://www.diesat.org.br/acidentes_2009.asp

5.4.2. A conflictual developmental agenda

The military regime created a substantial number of jobs and increased productivity (FIGURE 36) in the most extraordinary pace of economic growth in Brazilian history. However, inequality grew, with wage devaluation (FIGURE 37) and an unprecedented expansion of the external debt. Between 1968 and 1973, the Brazilian GDP grew, on average, more than 10% a year (FIGURE 38). In 1973 alone, its GDP expanded by about 14%, the highest ever. At the beginning of the regime, growth was low due to measures taken to control inflation, then close to 100% a year. However, from 1968 onwards, the economy took off. GDP per capita went from USD 261 in 1964 to USD 1,643 in 1985 (FIGURE 39). What GDP does not reveal is that income distribution income fluctuated (FIGURE 40), showing that the distribution of these gains was uneven across the social groups. In 1964, the wealthiest 1% of the population held between 15-

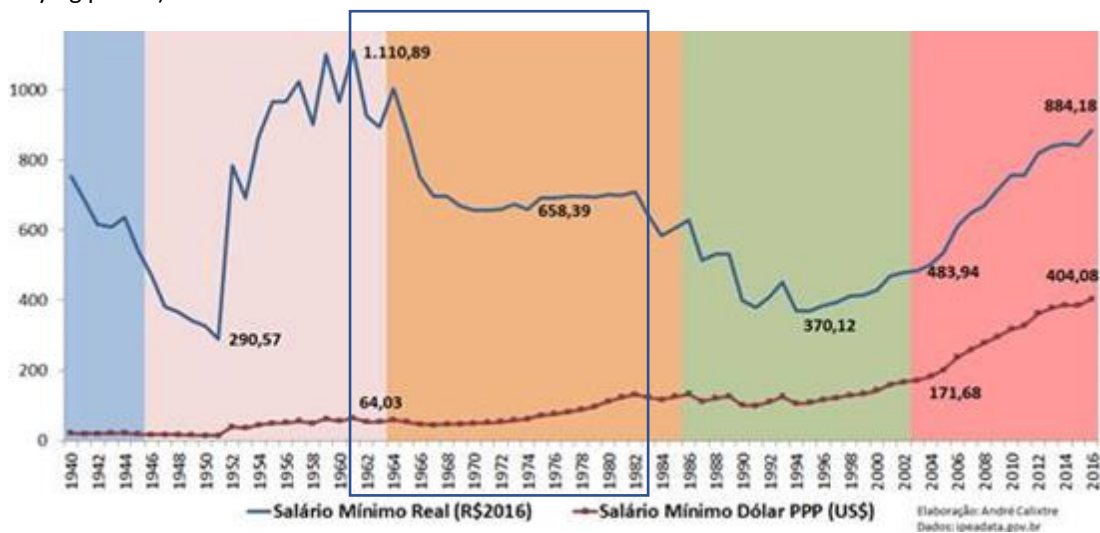
20% of all income in the country. At the end of the dictatorship, it controlled almost 30% (Souza, 2018).¹³¹

FIGURE 36: Total Productivity Factor (TFP) in Brazil and South Korea (1960-2019).



SOURCE: PennTrade Table 10.0

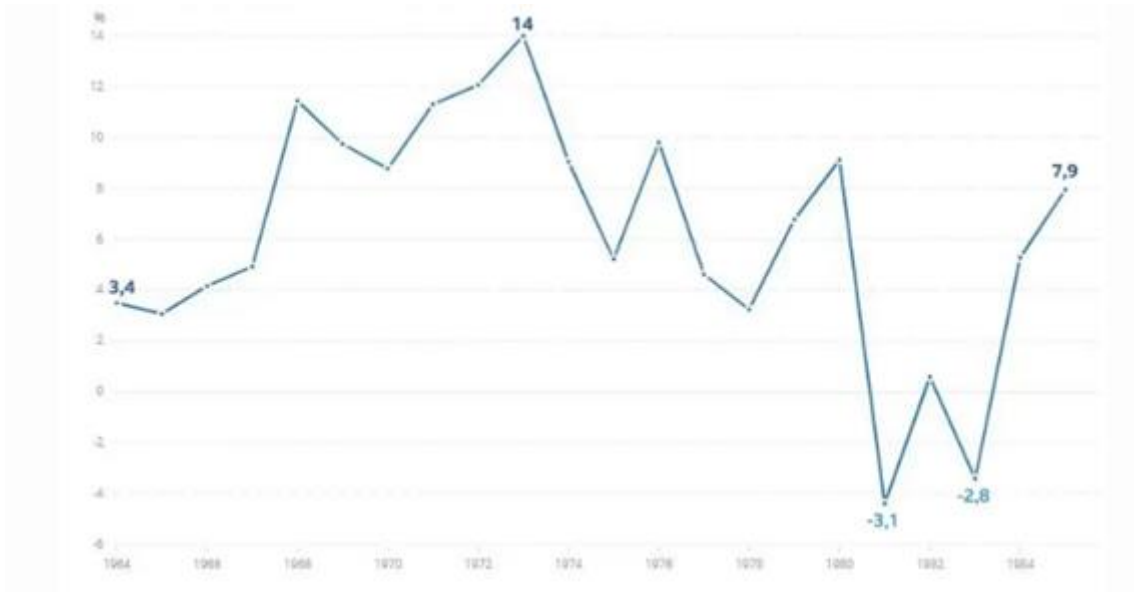
FIGURE 37: Brazil - Minimum-wage (Salário Mínimo) evolution (adjusted to 2016 Reais and USD parity buying power).



SOURCE: Ipeadata. Elaborated by Calixtre. <https://spbancarios.com.br/10/2018/na-ditadura-militar-o-brasil-era-melhor> (Author's adaptation).

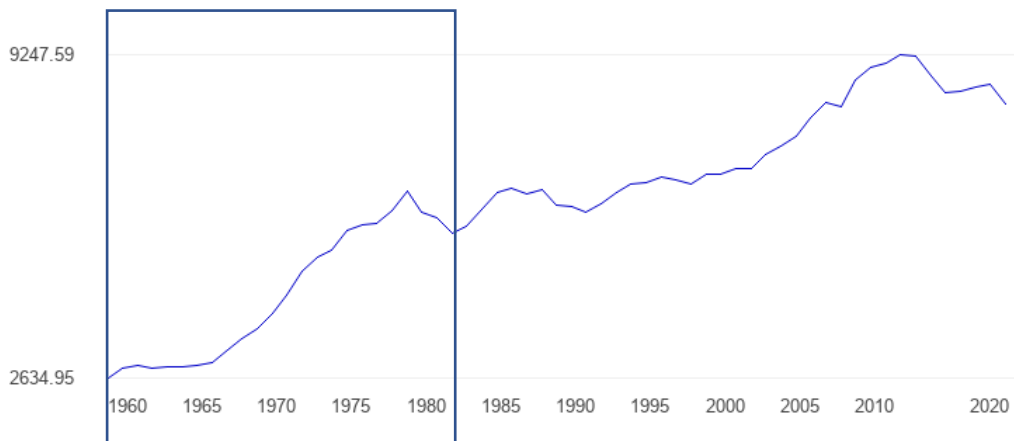
¹³¹ Used Income Tax data following the same methodology as Piketty (2014), known for expanding discussions on social inequality globally. Souza points out that inequality was not a consequence of the economic miracle between 1968 and 1973, but it was accentuated before that period, with the decisions of the military government that directed the adjustment bill to workers.

FIGURE 38: GDP growth 1964-1985 in Brazil.



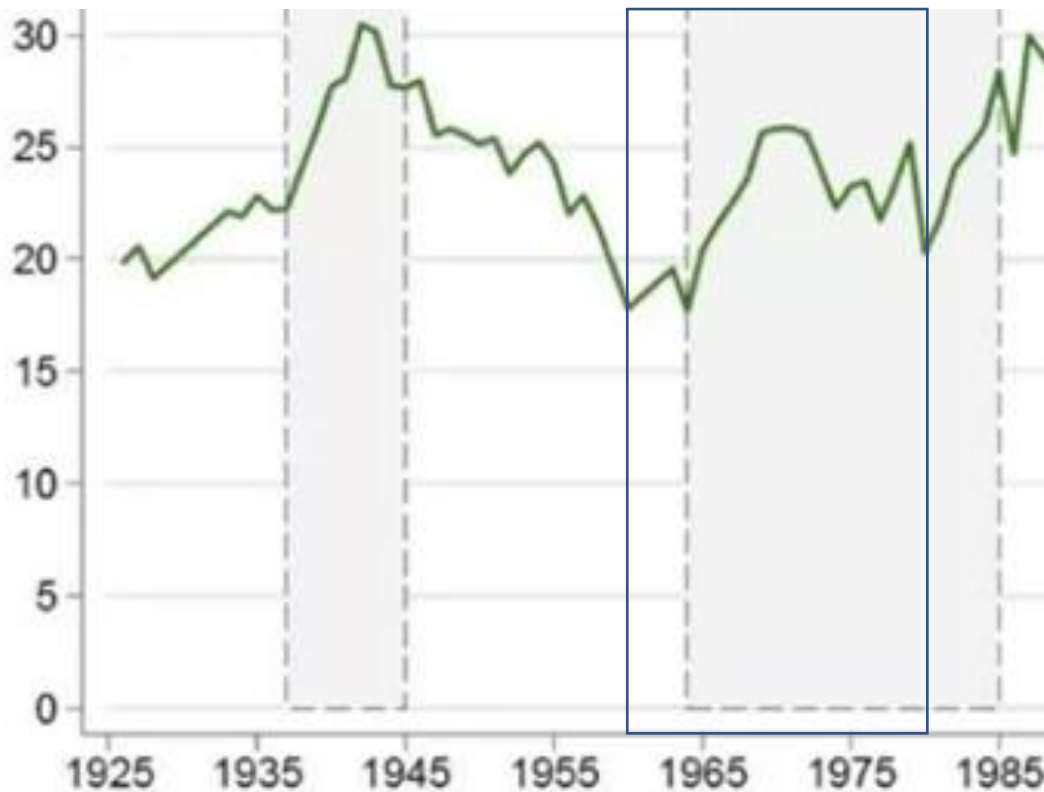
SOURCE: The World Bank (Author's adaptation).

FIGURE 39: Brazil: GDP per capita, constant 2010 dollars, 1960 – 2020.



SOURCE: https://www.theglobaleconomy.com/Brazil/GDP_per_capita_constant_dollars/

FIGURE 40: Concentration of income in Brazil of the richest 1% (1926-1987).



SOURCE: Souza (2018). Elaboration @brasilemdados (Author's adaptation)

The path chosen by the first military government to foster growth centered on economic reforms and wage adjustments. One of the first measures was changing the minimum wage readjustment formula to comply with business demands. To contain wage growth, the new wage law did not guarantee that wages would be adjusted in line with inflation. To impose the minimum wage, the military curtailed the right to strike, and union leaders were persecuted (Queiroz, 2007). As a result, between 1964 and 1967, the minimum wage dropped 35%.

Urban development policies underwent significant reform. In 1966, in Castello Branco's government, the Guarantee Fund for Time of Service (FGTS) was created to collect a share of workers' wages with a formal contract. This fund aimed to finance housing for formal workers. Part of the resources was transferred to private banks responsible for real estate loans. Credit, however, was not accessible to the entire population. Private banks destined the resources to the middle and higher-income sectors of society, which started to have access to credit subsidized by the State to finance housing. Yet, a small share of the fund was targeted to build popular housing. The rationale was that public investment and consumption by middle and high-income families would suffice to ensure economic growth (Bastos et al., 2015a, 2015b).

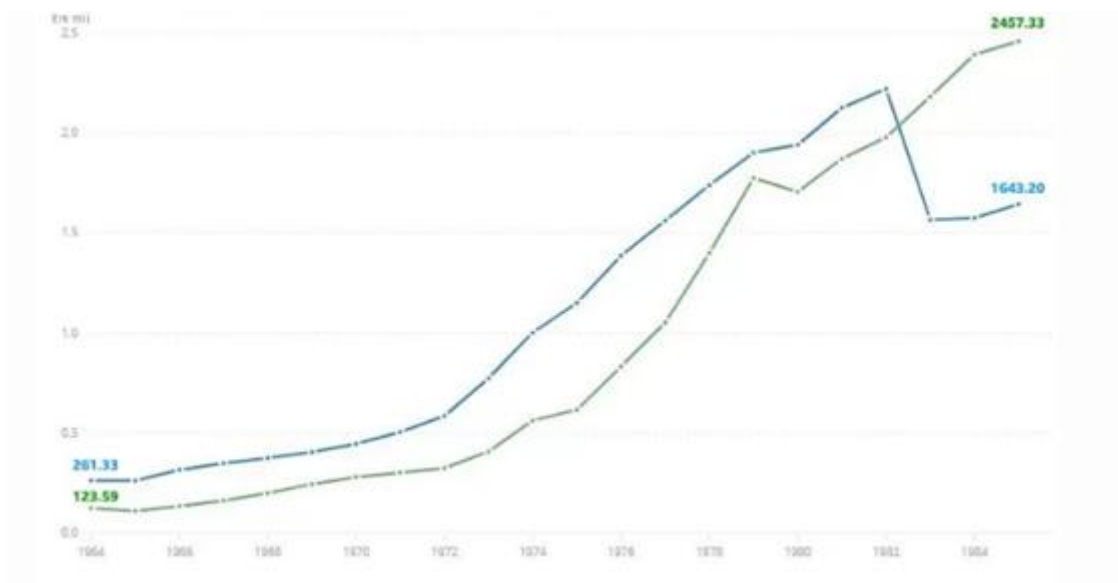
The military developmental agenda prioritized particular industrial sectors and infrastructure development. In the absence of domestic savings, foreign credit was procured, and the long-term consequence was high indebtedness. Paradoxically, between 1968 and 1973, at the same time salaries were squeezed due to salary constraint legislation, there were new job vacancies in the formal labor market with consequent expansion of the domestic internal market. The focus, argues this study, was not on quality consumption and well-being but kept the industries running.

In 1973, however, Brazil began to suffer from the effects of an external crisis. Unlike South Korea, Brazilian manufacturing exports had not been a priority, and the outcome was the scarce foreign reserves, leaving the country more vulnerable to external shocks. The increase in tension between OPEC member countries caused energy input prices to soar. The external tension lasted a few years, and the model based on exports and much foreign credit that Brazil had adopted until then became insufficient to keep on boosting the national economy.

A massive rural exodus marked the period. Between 1968 and 1973, about ten million people migrated to cities, and, without qualification, cheap labor concentrated in civil construction and services. The Brazilian 'urban apartheid' takes place in this period. The working classes and the poor population could not properly access the public services, and jobs, especially middle-skilled, became stalled (Bastos et al., 2015a, 2015b).

Economically, however, there was an improvement in the income of the entire population, but the structural heterogeneity that historically had qualified the Brazilian society persisted. Moreover, even though the average income has advanced, the Brazilian leap was much lower than that of South Korea, for example, whose trajectory is often compared to Brazil. In 1964, South Korea's GDP per capita was USD 123.59, half that of Brazil. In 1985, when the Brazilian military dictatorship ended, it was already 50% larger than the Brazilian one (USD 2,457.33) (FIGURE 41).

FIGURE 41: GDP per capita Brazil x South Korea (1964-1985) in thousand USD.



SOURCE: The World Bank

According to Neri¹³² e Langoni (1973), the population's economic well-being grew, but the lack of training increased inequality. With economic growth, the necessary skilled labor was not available due to the low investment in human capital. Thus, paradoxically, despite the general increase of the higher income, the income gap between the most educated and the poorest grew wider during the dictatorship. Concerning training and education, the S System initiatives were not enough to meet the skills needs of a larger share of the working classes.

The military government seemingly was not concerned about investing in quality education for all. Between 1960 and 1981, Brazil's Human Capital Index is virtually stagnated. The Human Capital Index remained unchanged since it was 1.4 in 1960 and 1.48 in 1980¹³³ (FIGURE 42). While, and paradoxically, public, and free quality higher education and technical

132 See: 1) "A Escalada da Desigualdade" (<https://www.cps.fgv.br/cps/bd/docs/A-Escalada-daDesigualdade-Marcelo-Neri-FGV-Social.pdf>)

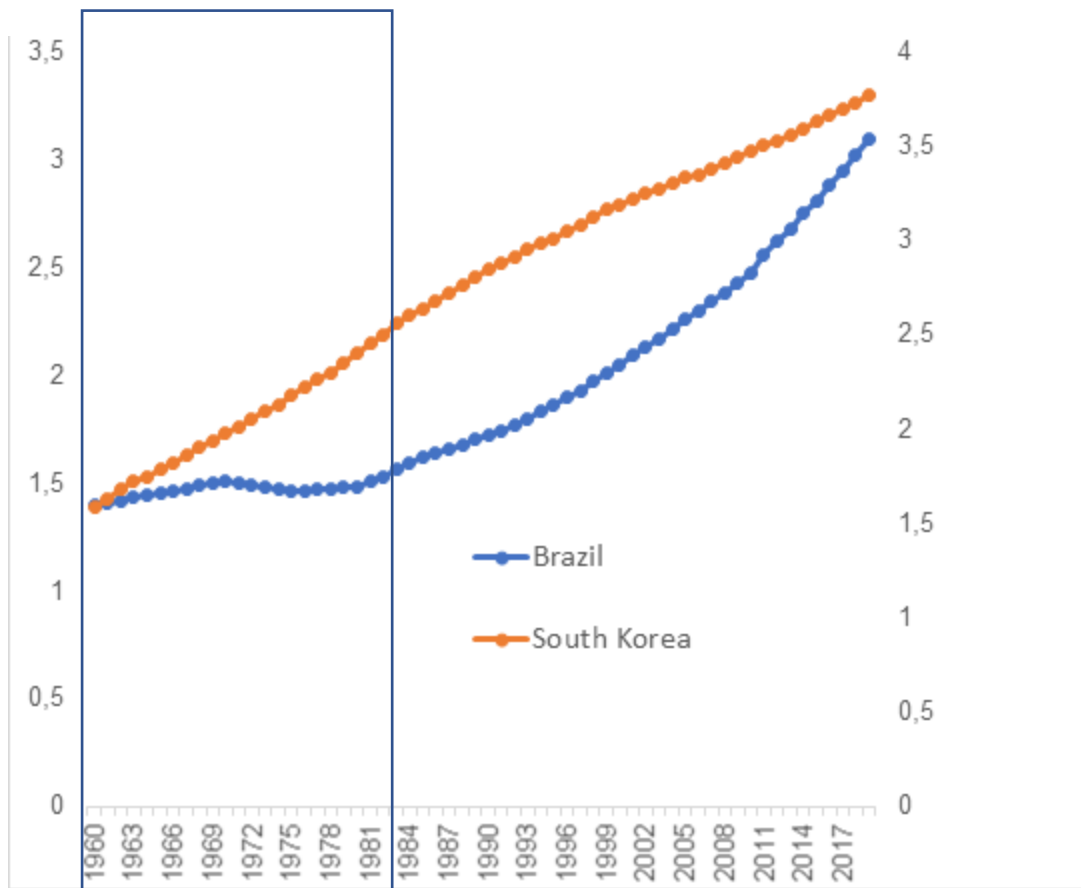
2) "A desigualdade vista do topo: a concentração de renda entre os ricos no Brasil, 1926-2013" - http://repositorio.unb.br/bitstream/10482/22005/1/2016_PedroHerculanoGuimar%C3%A3esFerreiradeSouza.pdf

3) Estudo do Centro Internacional de Políticas para o Crescimento Inclusivo do Programa das Nações Unidas para o Desenvolvimento (IPC-IG/PNUD) - <https://nacoesunidas.org/brasil-estaentre-os-cinco-paises-mais-desiguais-diz-estudo-de-centro-da-onu/>

¹³³ For South Korea, the figures were 1.59 in 1960 and 2.4 in 1980. Only in the 2000s, Brazil managed to reset the high index of social and economic inequality created during the military dictatorship, resuming the index of the early 1960s (see Neri in "A Escalada da Desigualdade" (<https://www.cps.fgv.br/cps/bd/docs/A-Escalada-daDesigualdade-Marcelo-Neri-FGV-Social.pdf>)).

training were reoriented to serve the high and middle-income strata, respectively, other public services suffered an evident erosion of State investments, as the public health assistance.

FIGURE 42: Human Capital Index in Brazil and South Korea (1960-2019).



SOURCE: PennTrade Table 10.0

The environment of the military regime was ideal for corrupt practices, particularly between the government and contractors, since oversight mechanisms were either non-existent or muzzled: the press, the political opposition, Parliament (Campos, 2014). State institutions, such as the Federal Police, the Public Ministry, and the Judiciary, were limited in their performance.¹³⁴

The implementation of financial measures such as monetary adjustment and fiscal, tax, and financial reforms completed the roster of institutional reforms presented above. The

¹³⁴ Even with all this muzzling of the inspection mechanisms, some cases have surfaced, mainly in the period of political transition, and were publicly denounced, such as the Saraiva Report, which involves the alleged collection of a bribe by Delfim Netto, then Minister of Finance, in engineering works and financing for equipment for hydroelectric plants. Delfim denied the charge. The SNI (National Information Service), the dictatorship's spy agency, charged ministers, businessmen, and public officers for procuring bribes and receiving illegal resources from companies in exchange for political favors.

monetary adjustment protected investments from inflation and favored those who had money to invest in the financial market. Relatedly, in 1964, the Central Bank was created to administer monetary policy. This institutional transformation was made possible by the influx of foreign capital in credit or the multinational companies' investment, attracted by a favorable regulatory and market environment.

An accessory program launched by the regime was the development of an industrial park in the Amazon with the creation of the Manaus Free Trade Zone through tax exemption for business. The goal was to substitute imports, that is, to encourage domestic production of imported goods, which had a high cost in dollars and affected the trade balance. Further, a plethora of State-owned companies was created during the period: 274 companies (TABLE 32).

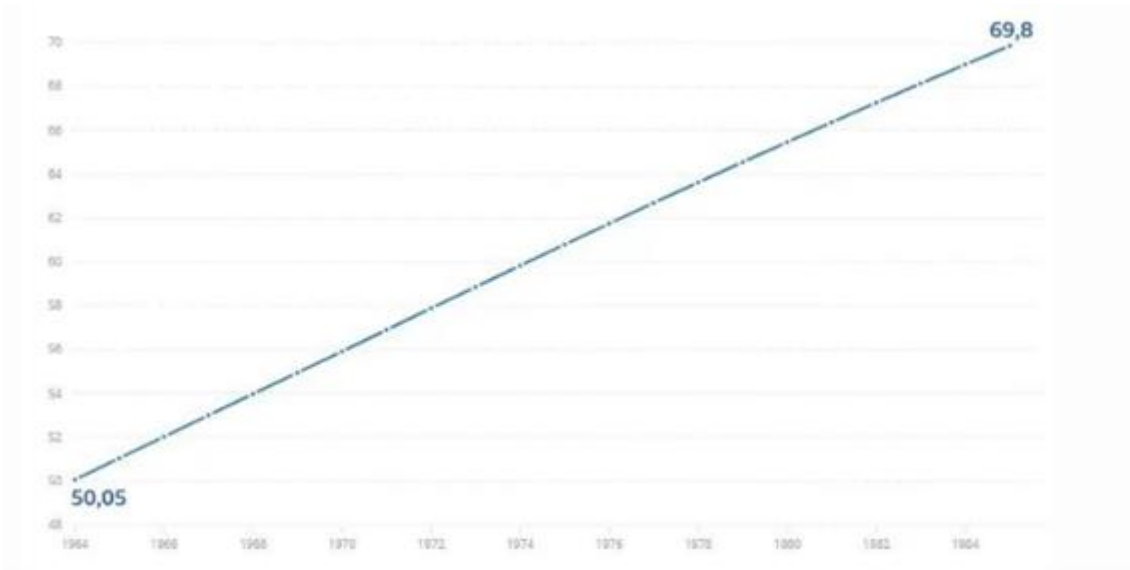
TABLE 30: Brazil - Number of State companies created between 1964 and 1985 (see Endnote 4 for some examples).

| PRESIDENT | NUMBER OF STATE COMPANIES CREATED |
|-----------------------------|--|
| Castello Branco (1964-1967) | 58 |
| Costa e Silva (1967-1969) | 55 |
| Médici (1969-1974) | 99 |
| Geisel (1974-1979) | 50 |
| Figueiredo (1979-1985) | 12 |
| <i>TOTAL</i> | <i>274</i> |

SOURCE: Corrêa, H. L. "O Estado da Arte da Avaliação de Empresas Estatais." (Author's adaptation).

As stated above, in the first half of the military regime, growth increased the supply of jobs, which, in turn, helped to expand domestic consumption. The abundance of urban employment attracted people from rural areas to industrial cities. In 1960, more than half of the population lived in the countryside. By 1985, seven out of ten Brazilians lived in cities (FIGURE 43). However, the rural exodus was poorly planned and could never be reversed. Unprepared for the immense population that arrived from the interior, major Brazilian cities could not cope with this migrant population. Without an effective housing policy, poor communities in the form of slums multiplied and remained without access to infrastructure and basic sanitation.

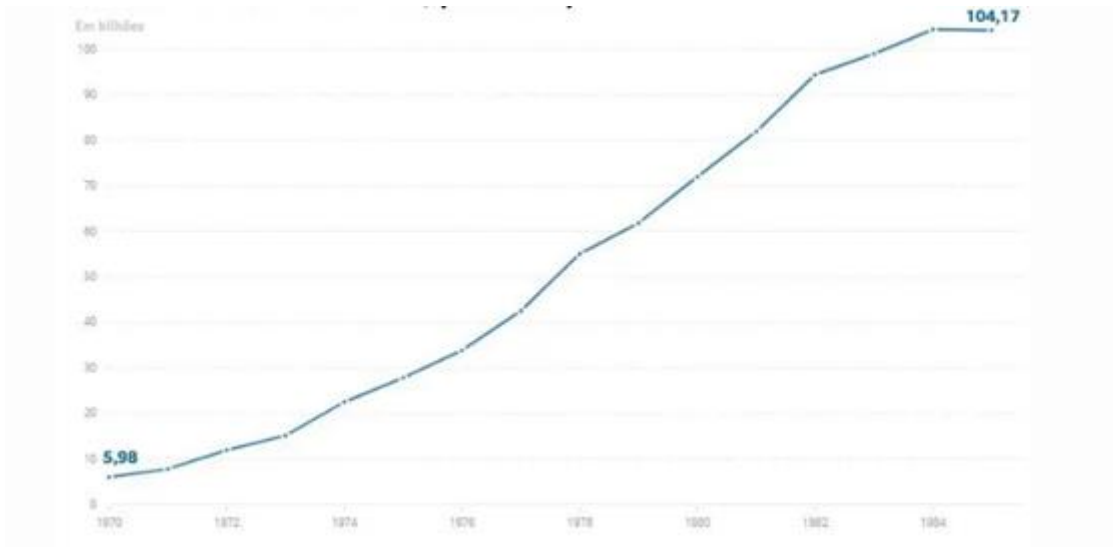
FIGURE 43: Urban growth in Brazil (1964-1984).



SOURCE: The World Bank.

The external debt rollover had to be carried out at higher interest rates. In this framework, GDP growth plummeted from 14% in 1973 to 9% the following year and 5.2% in 1975. Even under this framework, the regime decided to maintain the economic model and defended that the country should continue growing at any cost. The option was to continue getting into debt. However, a further worsening of the external situation occurred in 1979 with a second oil crisis. The average price of a barrel rose substantially. Even in this worsening situation, Brazil continued to get into debt (FIGURE 44).

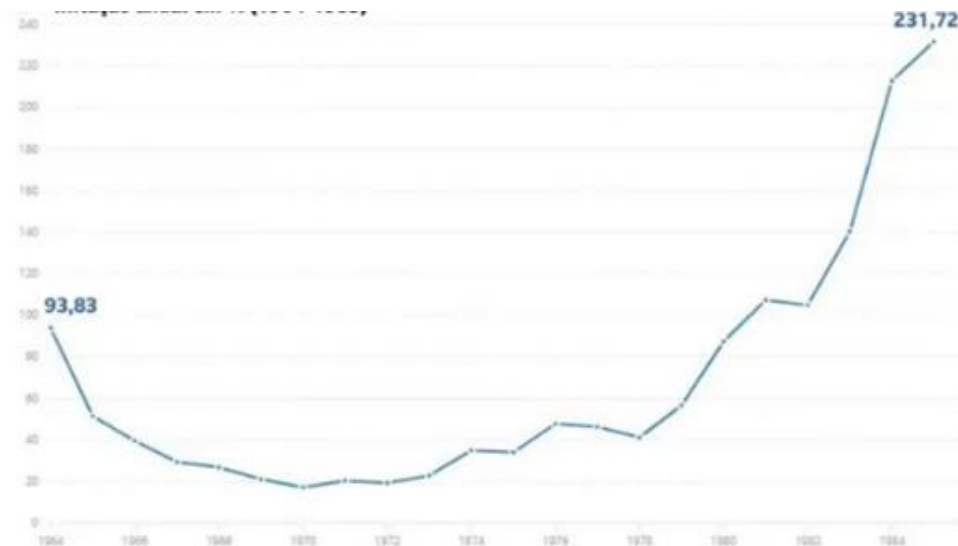
FIGURE 44: Brazil Foreign Debt in billions USD (1970-1985).



SOURCE: The World Bank.

The model adopted by the military regime, however, was not sustained. Inflation, controlled at the beginning of the regime, grew in the second half (FIGURE 45).¹³⁵ External debt grew 30 times. It went from USD 3.4 billion in 1964 to more than USD 100 billion in 1985.¹³⁶

FIGURE 45: Inflation rate in Brazil (1964-1985).



SOURCE: The World Bank.

¹³⁵ In 1985, the annual rate already hit 231% . Four years later, in the Sarney administration, indirectly elected by Congress, inflation reached almost 2,000% in 12 months.

¹³⁶ Debt rose from 15.7% of GDP in 1964 to 54% when the military left power in 1984.

Public basic education's deterioration accelerated during the military regime, despite a fall in illiteracy and the extension of mandatory education.¹³⁷ In this regard, according to IBGE censuses, the illiteracy rate of people aged 15 or over dropped from 33.6% in 1970 to 20% in 1991. As to investments in the area, the budget also decreased (Saviani, 2008).

The 1967 Constitution brought two changes to Brazilian educational policy. First, it abolished the minimum public investment in the sector. During the previous Goulart government (1961-1964), legislation provided that the Union invest at least 12% of GDP in education. It also mandated states and municipalities to allocate 20% of the budget to this area. In 1970, that percentage dropped to 7.6% of GDP, then to 4.31% in 1975, and reached 5% in 1978 (Saviani, 2008).

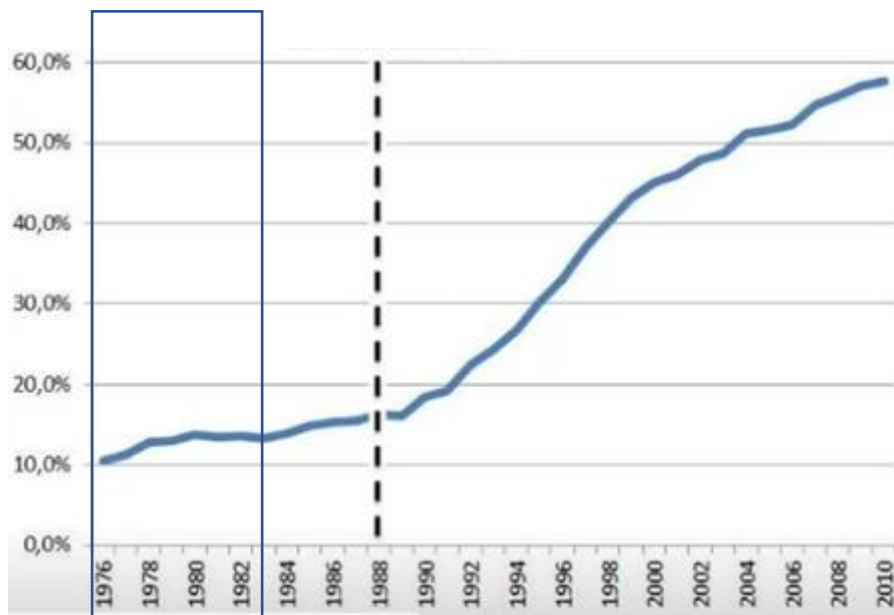
Higher education was opened to the private sector. The military regime relaxed the principle of free education. There was a significant expansion of higher education during the period. Between 1964 and 1973, while primary education grew 70.3%, junior high, 332%, high school, 391%; higher education went much further, expanding 744.7% in the same period. The brunt of this expansion was due to the private initiative. Between 1968 and 1976, the number of public higher education institutions rose from 129 to 222, while private institutions jumped from 243 to 663 (Saviani, 2008).

The regime extended compulsory basic education from four to eight years. The change was positive, but it was not accompanied by the growth of funds in equal proportion and, as a result, there were not enough teachers. Moreover, the training of new teachers was hampered. Wages and working conditions deteriorated, and teaching was no longer perceived as a profession coveted by the middle class. So-called lay teachers (without pedagogical qualifications) were hired to meet the demand. In the Northeast, for example, 36% of the teaching staff had only completed lower school. All of this ended up scrapping public schools, and middle-class children who were previously enrolled in public schools moved to private schools. Public schools catered to the poorest and were forgotten by the government (Ibid.).

As shown in Figure 46, there is no noticeable increase in young people aged 15 to 17 years enrolled in secondary education during the second dictatorship period:

¹³⁷ Illiteracy rate of people aged 15 or over dropped from 33.6% in 1970 to 20% in 1991.

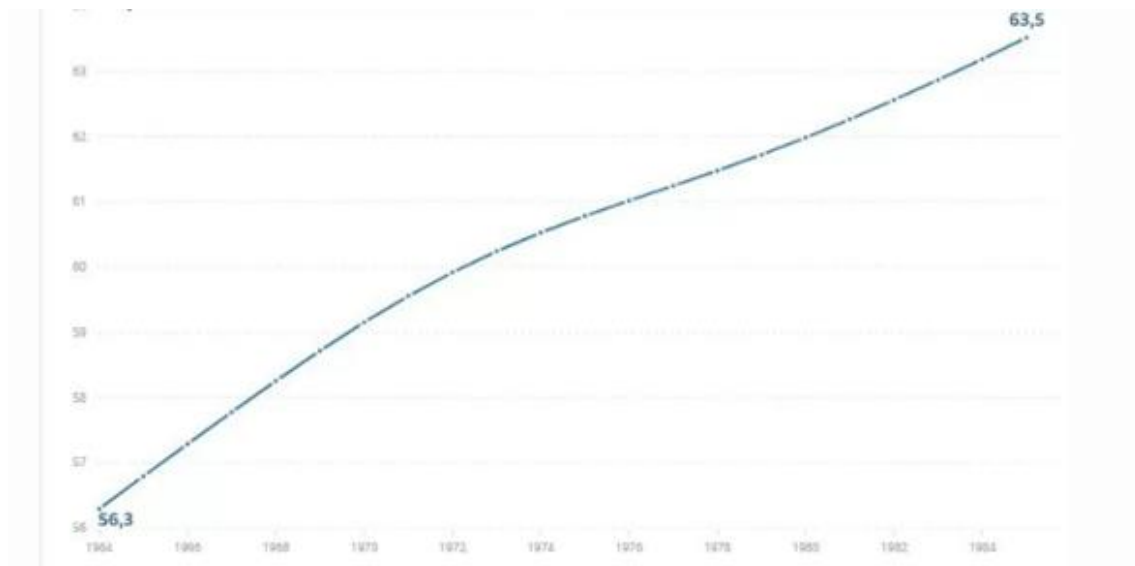
FIGURE 46: Brazil - Percentage of young people between 15 and 17 years old enrolled in secondary education 1976-2010.



SOURCE: Ipeadata. Elaboration @brasilemdados (Author's adaptation).

In health, there was progress. Infant mortality fell by half from 1964 to 1985, and life expectancy rose from 56.3 years to 63.5 years over the same period (FIGURE 47). Still, the military regime privatized health as the State began to reduce its participation in serving the population and was gradually replaced by the private network. From 1964 to 1974, for-profit hospitals jumped from 944 to 2,121.

FIGURE 47: Life expectancy in Brazil 1964-1985.



SOURCE: The World Bank.

In 1982, still under the military regime, Brazil was bankrupt. The debt crisis began what has been called the "lost decade," putting an end to the country's robust growth model, sustained by external indebtedness and developmental policies such as import substitution. Five years later, the country declared a moratorium to suspend interest payments on the foreign debt for an indefinite period. There was no more money, and inflation was soaring. The military said goodbye to the government in 1985.

The regime's institutional reforms were conflictual, regardless of propagandized intentions and actions. If any genuinely developmental intention aimed to contemplate the nation, meaning the entire population, and making it great, the military governments did not cope with the task. Nevertheless, if the intention was to foster sectoral business and enterprises, geopolitically projecting the country to the world as a powerful player, and remain in power indefinitely, the task was coped partially. Without any doubt, Brazil became a robust world economy. However, a rich country of poor people and technologically dependent.

5.4.3. The land reform and State goals: an unfulfilled agenda

The Brazilian land reform launched during Goulart's government (1961-1964) was abandoned.¹³⁸ The military regime only rhetorically identified agrarian reform as a mechanism to bring social justice to the rural environment.¹³⁹ Therefore, it disconnected it from its

¹³⁸ In the Brazilian case, see that agrarian reform is said to be linked to the communist ideal, as communism was a constant issue. In the case of South Korea, agrarian reform was contextualized differently.

¹³⁹ "Apesar dos múltiplos problemas que reclamam urgente e cuidadosa atenção do Governo nesta fase, que acredito ser o limiar de uma nova era para a vida brasileira, é com satisfação que posso anunciar estarem quase concluídos os estudos dos quais se originará um estatuto da terra, que será o instrumento legal para a efetiva realização da Reforma Agrária. Uma reforma agrária que, livre dos radicalismos demagógicos, atenda às reais aspirações do trabalhador rural e, também, ao crescente aumento da produção nacional. Isto é, um conjunto de medidas que, a partir da modificação do regime de posse e uso da terra, vise a tornar mais numerosa a classe média rural, o que equivale a dizer que, promovendo a justiça social no campo, destinar-se-ão a aumentar o bem-estar do trabalhador rural e de sua família, contribuindo, ao mesmo tempo, para o desenvolvimento econômico do País e a progressiva extinção dos erros há muito acumulados". Discurso de Castello Branco ao inaugurar a escola normal rural Ildefonso Simões Lopes, em Osório, RS, 22 de maio de 1964.

"Despite the multiple problems that require urgent and careful attention from the Government at this stage, which I believe is the threshold of a new era for Brazilian life, I am pleased to announce that the studies that will lead to a land statute are almost completed, which will be the legal instrument for the effective implementation of the Agrarian Reform. An agrarian reform that, free from demagogic radicalism, meets the rural worker's real aspirations and the growing increase in national production. That is, a set of measures that, from the modification of the land tenure and use regime, aim to make the rural middle class more numerous, which is to say that, by promoting social justice in the countryside, not to increase the well-being of rural workers and their families, contributing, at the same time, to the economic development of the country and the progressive extinction of accumulated errors". Speech by Castello

developmental agenda, particularly its potential to deepen industrialization. Over the years, the Brazilian land reform has been characterized by conservative rhetorical components and low-implementation, regardless of the regime.¹⁴⁰ Its slow implementation may have contributed to the rural exodus in the 1960s and 1970s. With the regionalization of industrialization in the southeast and south of the country, northeastern Brazil's largely impoverished rural population migrated to the cities. Disconnected agrarian settlements' projects and unplanned rural exodus

Branco at the inauguration of the Ildefonso Simões Lopes rural normal school, in Osório, RS, May 22, 1964.

“Por isso mesmo a orientação traçada para a Reforma Agrária não foi a de promover indiscriminado acesso à terra, que, sem o necessário apoio em providências técnicas e financeiras, seria um instrumento demagógico, e nunca uma oportunidade para a prosperidade do trabalhador. Até porque um exagerado fracionamento da terra prejudicaria qualquer política destinada a aumentar a produção e a produtividade, como está a reclamar o nosso vertiginoso crescimento populacional. Se deve ser elemento da justiça social, a Reforma Agrária precisará também atender às exigências de uma crescente produção de alimentos, bem como à criação de perspectiva para novos empregos para a juventude dos campos”. Discurso de Castello Branco em homenagem das classes produtoras de Pernambuco. Recife, 6 de junho de 1964.

"For this reason, the orientation outlined for Agrarian Reform was not to promote indiscriminate access to land, which, without the necessary support in technical and financial measures, would be a demagogic instrument and never an opportunity for the worker's prosperity. Not least because an exaggerated division of land would undermine any policy aimed at increasing production and productivity, as our vertiginous population growth is demanding. If it is to be an element of social justice, the Agrarian Reform will also need to meet the demands of growing food production, as well as the creation of perspectives for new jobs for rural youth". Castello Branco speech in honor of the producing classes of Pernambuco. Recife, June 6, 1964.

¹⁴⁰ “Graças àquele esforço e compreensão, podemos ver instalado e, a bem dizer, já a funcionar, nesta pequena e promissora localidade gaúcha, um modelar núcleo de ensino rural. É ele, pela seriedade de propósitos e pelos benefícios aos que mourejam nos campos gaúchos, vivo contraste com a reforma agrária aqui anteriormente lançada, não com a benemérita finalidade de amparar o trabalhador rural, mas sim com a de proporcionar proventos pessoais e alimentar a desejada subversão social. Lançavam na, assim, justamente, numa das regiões brasileiras em que o homem, secularmente, e num admirável exemplo de amor à terra, tem tido as suas atividades voltadas para a pecuária e a agricultura. Apego que, por vezes, ultrapassou as fronteiras dos trabalhos cotidianos, para se afirmar em atos de heroísmo e de sacrifício na defesa do solo, que tem como inseparável da própria existência”. Discurso de Castello Branco ao inaugurar a escola normal rural Ildefonso Simões Lopes, em Osório, RS, 22 de maio de 1964.

“Thanks to that effort and understanding, we can see a model rural education center installed and, in fact, already functioning, in this small and promising town in the state of Rio Grande do Sul. Because of the seriousness of its purpose and the benefits to those who toil in the countryside of Rio Grande do Sul, it is in sharp contrast to the agrarian reform launched here previously, not with the meritorious purpose of supporting rural workers, but rather with providing personal income and feeding the desired social subversion. They launched in, thus, precisely, in one of the Brazilian regions where man, for centuries, and an admirable example of love for the land, has had his activities focused on livestock and agriculture. An attachment that, at times, went beyond the borders of daily work, to assert itself in acts of heroism and sacrifice in defending the soil, which is inseparable from existence itself.” Speech by Castello Branco at the inauguration of the Ildefonso Simões Lopes rural normal school, in Osório, RS, May 22, 1964.

characterized the period. Further, absent educational policies and technical training blocked the absorption of this migrant population in the rising industrial activity, contributing to income stagnation and concentration.

The land reform in Latin America has been traditionally associated with left-leaning governments, and this was no exception in the case of the military regime in Brazil. The agrarian elites have always sold the agrarian reform as a threat to property rights, and they were confronted in this arena. The National Institute of Colonization and Agrarian Reform (INCRA) was created to implement a timid reform.

5.4.4. External financing and the State developmentalism: making economic nationalism

Brazil was considered a secondary problem by the leading powers of the Cold War. Soviet expansionism in East Asia was a genuine threat in the eyes of American foreign policy. Brazil, on the other hand, never was at the blink of a communist revolution.¹⁴¹ After the civil-military coup seized power, and despite easy access to foreign finance between 1968 and 1973, Brazilian developmentalism did not obtain foreign governmental funding like those received by South Korea. The resources for the country's production depended heavily on multinationals and national companies' investments, and private banking resources, focusing on the domestic market.

Regardless of the implicit risks, floating rates sometimes guarded the financing contracts. It was imposed for the taker, and under its parameters, a large amount of financial resources inflows to Brazil during the period, mainly after the first oil crisis. The issue here, however, comparatively speaking, is not to debate the amount or the quality of this credit - that could be summarized to be plenty and risky - but how it translated into an economic nationalist

¹⁴¹ See Rodrigo Patto Sá Motta: "Os discursos centrais que sustentaram a intervenção militar em 1964 foram calcados no anticomunismo, essa foi a linguagem dominante do golpe. Porém, o alvo era a esquerda de uma maneira geral, bem como as lideranças sociais que demandavam reformas. O uso do anticomunismo (...) devia-se à força de uma tradição que já demonstrara grande potencial de mobilização (como em 1935-37 e 1946-48). Então, era mais conveniente fazer campanha contra os comunistas e os "vermelhos" do que dizer que o governo João Goulart era considerado ameaçador por outras razões, menos "dramáticas."

"The central discourses that supported the military intervention in 1964 were based on anti-communism. This was the dominant language of the coup. However, the target was the left in general and the social leaders who demanded reforms. The use of anti-communism (...) was due to the strength of a tradition that had already demonstrated outstanding potential for mobilization (as in 1935-37 and 1946-48). So, it was more convenient to campaign against the communists and the "reds" than to say that the João Goulart government was considered threatening for other, less "dramatic" reasons." (Free translation). Available at:

<https://apublica.org/2019/04/1964-o-brasil-nao-estava-a-beira-do-comunismo-diz-historiador/>

Accessed on 01/27/22

developmental agenda: if contemplating to build a great country as in Brazil or a great nation as in South Korea as argued in this dissertation. This study argues that for the Brazilian case, despite an exception here and there, the credit received was used to contemplate specific group interests, mainly business and military, in projects not resulting in industrial and technological upgrading. Moreover, the forging of a great country selectively used the resources in projects that generated low-income jobs, mainly in construction and infrastructure, and did not increasingly require a qualified workforce capable of accommodating the inflow of new technicians and graduates. Disarray was in course. Thus, the forging of a great nation would have to wait until the country became great, which ended up happening by the end of the 1970s. By that time, a gigantic and industrialized country emerged from this process, but with feet of clay: financially and technologically dependent and keeping the same social-economic structural heterogeneity that historically had qualified its society and economy.

The opposite happened in South Korea, where the resources were made available and as much as possible redirected to comply with a long-term EOI project, aiming at building a great, financially, and technologically independent nation. The economic nationalism that oriented the South Korean process was imposed by the State superseding immediate business interests. The ideational differences between the two regimes and their agencies produced distinct outcomes of power bloc dynamics.¹⁴²

5.4.5. Coordination and discipline as operational mechanisms

From the above, there is a marked distinction between the State-business relationship observed during the PCH's government vis-à-vis the one observed during the four Brazilian military governments. However, contrary to what it may appear when one bears in mind the coordination and disciplinary mechanisms identified in Chapter 4 when detailing the South Korean case, there is not an unintentional lack of coordination and/or discipline in the Brazilian case. The power bloc dynamics made them be applied differently, following different logics, anchored in different conceptions of economic nationalism and nation-building, from which the development projects of both countries materialized.

In the South Korean case, the coordination of the development process was State's responsibility and guided by the goals established in the five-year plans. These plans were drawn

¹⁴² Within the bloc of ruling classes – that Nicos Poulantzas denominates “bloc in power” –, a class or fraction preponderates politically over the others, insofar as their interests' economic benefits are satisfied as a priority. This preponderance politics of a class or fraction within the power bloc is designated by Poulantzas by the term “hegemony.” (Saes, 2001).

up jointly with large local business group representatives. Once elaborated and the goals established, the government kept close track of companies' progress. First through meetings carried out weekly between PCH himself and government leaderships that were responsible for keeping track of the company's projects' progress (Jones and Sakong, 1985), and later, during the HCI implementation in the 1970s, through the direct insertion of State bureaucracy representatives within companies' organogram through a mechanism Evans (1995) called by embedded autonomy. Such meetings and insertion allowed the information to flow quickly from companies to State agencies, and necessary corrections or alterations could be quickly implemented. Of the four plans implemented during the PCH's government, regardless of incomplete achievements of the fourth, and considering the assassination of PCH in 1979 in the middle of its term, all, in general terms, reached their targets (Ibid).

In the Brazilian case, quite the opposite occurred. Companies inserted themselves into the State's apparatus through business representatives, aiming at implementing sectoral public policies, not always convergent among themselves and linked mainly towards business interests. National interests to a great extent reflected companies' ones and not the opposite (Dreifuss, 1981; Campos, 2014). Furthermore, the development plans were considered mere guidelines and only became Acts in the mid-seventies with the PND I and PND II. At that time, there was a more significant synergic effort to reach the goals, which was positive for the first PND but not quite concerning the second, due to national business resistance to the increasing number and importance of State companies and multinationals' enlarging activities.

The incentives offered to entrepreneurs in both countries consisted basically of tax exemptions and credit subsidies. As for the second type, the origin and type of financing differed. In the South Korean case, resources generally had an external source, despite decreasing after the mid-1970s. They were obtained in the form of a non-repayable donation or as subsidized credit, destined to be applied in different areas by the donors. These resources, in turn, once internalized in the government's budget, were, to a great extent, redirected by the State to funding projects under the execution of large national companies. These projects often did not resemble donors' intentions to implement or strengthen the South Korean industrialization subcontractor profile, but the US government overlooked them due to geopolitical interests (In Kim & In Vogel, 2011; Jones and Sakong, 1985). In the Brazilian case, the origin of the resources was quite ordinary and came from external and internal sources in the form of loans, subsidized or non-subsidized credits, from commercial national and

international banks and funds, besides multinational companies' direct investments (Jones and Sakong, 1985)

The discipline imposed on the business community by the PCH government, as mechanisms for granting access to incentives to carry out the initiatives contained in the five-year plans, consisted of monitoring and control over companies' progress related to ongoing projects so that they were executed on time and corresponded correctly to the goals. The government's disciplinary mechanisms guaranteed the flow of grants, new projects, and incentives. If not approved, this flow was discontinued, and projects could even be canceled or redirected to other companies (In Kim & In Vogel, 2011; Jones and Sakong, 1985). In the Brazilian case, the business community itself, acting in a consortium or via class associations, not rarely demanded from State representatives the establishment of public policies compatible with their particular and sometimes rent-seeking interests. Despite the formal dispute mechanisms, the collusion of large national and multinational companies in large infrastructural projects was not unusual (Dreifuss, 1981; Campos, 2014).

Different logics of action¹⁴³ (Dequech, 2008; Boltanski and Thévenot, 2006) reflected distinct ideational foundations. First, Brazilian economic nationalism differed from the South Korean's one because it functioned, paradoxically, under a national sectorial reserve market business logic enmeshed in a globalized economic one, while the South Korean's one functioned under a strict inward nationalist economic perspective. In this sense, the former expected to achieve upper development patterns through distorted classical liberal channels with sectorized international and national business participation. South Korea took another path and based its economic nationalist logic on valuing exclusively, or almost exclusively, national industry and interests.

Moreover, the nation-building process in the Brazilian case reflected rather than transformed the structural heterogeneity in which Brazilian society is historically entrapped. In this sense, by privileging the upper and middle-income social groups, the developmental experience did not manage the structural cleavages typical of underdevelopment. The regime's policies only marginally served the interests of the working classes. The assumption of a single national Brazilian identity did not take place, and, despite the regime's propaganda, the idea of

¹⁴³ "A logic of action is defined here as a set of shared and regular ways of thinking and acting that involve: (a) the definition of a domain of action, including the domain's boundaries and the people (with their positions or roles), collective agents, and objects belonging to this domain; (b) the units, dimensions or qualities in terms of which measurement is made - in short, the metric used - in this domain, at least regarding some especially relevant objects and people; (c) the objective(s) or appropriate kind(s) of behavior associated with the positions or roles." Dequech, 2008:531.

a nation continued to be solely rhetorical without practical initiatives. In this way, the country, not the nation, was the correct translation of this broken society. To build a great country, not a great nation reflected correctly the Brazilian economic nationalism implemented by the regime, tinged with the colors of segregation and regionalism. Because of these factors, this study states that the objective of the regime's developmental project for the construction of a great country indeed materialized since it never considered the nation as its primary goal.

The operationalization of South Korean nation-building sought to unify the nation through public policies of inclusion and increase income distribution, regardless of this redistribution is marginal because, as seen, the inequality rate practically became unaltered throughout the period concerning general welfare, South Korean nation-building rested on increasing availability of jobs and quality public policies, mainly concerning education, health, and housing.¹⁴⁴ It seems, therefore, that with the institutional transformations implemented, the South Korean national identity intensified during the PCH period. The South Korean economic nationalism implemented correctly expressed the construction of a great nation, having the improvement of the well-being of society as the ultimate objective through a path of constant industrial, technological upgrade, and economic independence.

Thus, the Brazilian military developmental State rescued Kubitschek's developmentalism of national integration via significant infrastructural projects and incorporated those ideational nuances into it, constructing a great country, regardless of this project does not include the entire population as its primary beneficiaries into its agenda. In the end, a great country was built, translated as an expression of infrastructural, industrial, and institutional transformations with selective impacts over the population. Therefore, the goal was reached, and one cannot speak of a flawed enterprise. For its turn, the South Korean national-developmental project was based on the Japanese and German economic nationalism model, comprising financial-industrial cooperation, enhancing national industry, and incorporating the idea of a nation to be built and at the same time building it, encompassing, or at least desiring to encompass, the whole South Korean population. This developmental movement translated into continued industrial, technological advancement, and general social well-being. As much as in the Brazilian case, the South Korean outcomes were successful.

Once having established the interlocks between ideational factors and outcomes, a new and more comprehensive argumentative line can be drawn, followed by this study. Part of the South Korean success was due to the coordination of the development process. It is also correct

¹⁴⁴ Available at: <https://www.theglobaleconomy.com/South-Korea/>

to say that the State guidance, disciplinary measures, and incentives had a decisive impact on achieving the goals agreed between the state and business representatives upon the five-year plans. No less important is the large flow of resources made available to South Korea in an environment of geopolitical uncertainty in the face of the Cold War. Undoubtedly, agrarian reform played a crucial role in the entire process. Of course, there was support from the South Korean society for the development project, despite this support reflecting a more passive attitude over nineteen years of authoritarianism rather than explicit support. This support does not mean that there was no opposition by some social groups, press, and political forces.

However, decoupling these features from the ideational factors on which they rest and using these arguments and similar ones to justify the Brazilian outcomes at the end of twenty-one years of dictatorship vis-à-vis nineteen years of South Korean authoritarianism under PCH as flawed is a mistake. It does not mean that the institutional transformation observed in the industrial, technological, and social conditions in South Korea was not more significant concerning development than those observed in Brazil. Nor that these different results did not condition future development outcomes. The error is of a different nature and lies in not considering the ideological premises assumptions embedded in the developmental State model implemented in each country. Once these ideological features are part of the analysis, both Brazil and South Korea turn to be seen as successful developmental cases because these features produced their corresponding logics of action.

Ideologically, the South Korean development project was based on the idea of a broad, non-selective, inclusive nation and desirous of independence from external control. After all, Korea had been under successive centuries of submission and control by other kingdoms, empires, and countries. However, even under foreign domination, Koreans knew how to keep their Korean identity intact, squeezed between "waves and rocks like a fragile shrimp," as PCH pointed out. Notwithstanding, Korea persevered to be a united nation, whereas foreign powers constantly disputed its territory.

The economic nationalism and nation-building implemented by PCH's developmental State reflected this idea of nation. In such a way, expected results should be evaluated primarily with this point in mind and its implementation mode. The same line of reasoning must be applied to evaluating Brazilian outcomes. In this sense, despite being advertised in presidential speeches as socially inclusive, the main objective of the Brazilian developmental State implemented during the military regime reflected its actual goal: to build a great country, not a great nation. Such a Brazilian conception brings a marked distinction with the South Korean

proposal. In the former, the nation was not but a few social groups to whom public policies should primarily serve, and their goals and results were not primarily for everyone but a few.

Moreover, the country's idea of independence was contained in political aspects politically restrained by subordinating the State control to particularistic interests from the national and international business together with the agrarian elites. Regardless of Geisel's strategic intentions for the long run, it must be remarked that the short-termism of these interests could not provide a long-term development strategy. So, necessarily, the varieties of economic nationalism and nation-building employed in each country reflected this understanding. In the Brazilian case, the development plans mirrored the national and international entrepreneurs with a primary focus on their businesses, and the State, for corporatist reasons and positivist-salvationist ideology, took it for granted and gave it the necessary public support. Thus, in this logical path, it was up to the masses not to rebel or the State apparatuses to prevent them from rebelling that the gross population would deserve access to the marginal stubbles of development if any were left. "For the winner, the potatoes," as Machado de Assis said in one of his novels, and if the prize is potatoes what does it mean to win?¹⁴⁵ Subsequent events in the following decades will withdraw from the national middle class the previous achievements gained at first, ironically.

In this sense, South Korean and Brazilian different developmental trajectories and outcomes in the period are two successful cases because they reflected different ideas and different strategies. Unveiling the distinct ideas of nation present in each of these developmental projects and how they correspondingly reflected the nationalist economic and the nation-building logics of action contributes to explaining the different outcomes and trajectories.

If Brazilian and South Korean societies came to materialize differently concerning their income status and productive patterns in the long term, there were reasons for that, as shown. The departure conditions were much more advantageous to Brazil than to South Korea. The assertiveness of the orthodox or non-orthodox use of market mechanisms, the industrial policies implemented, the role of the State, the efficient coordinating and disciplining measures, and the international financial support received do not tell the whole story. Although these factors surely

¹⁴⁵ The expression "For the winners the potatoes" is taken from Joaquim Maria Machado de Assis' *Quincas Borba*, a highly influential Brazilian novel, written in 1891. It was translated into English as *Philosopher or dog?* by Gregory Rabassa and published in 1954.

count to explain how things turned out to be the way they did, there is a conceptual gap in the literature, which is the missing explaining power of the ideational factor.

5.5. The successful standing of a great country on the shoulders of lousy social outcomes

During the 21 years of military dictatorship, public health was not constitutional. The definition that it "is everyone's right and the State's duty" only came with the Federal Constitution of 1988. It was then that the Unified Health System (SUS) emerged, which guarantees universal access to care. Before that, the dominant policy was to encourage the privatization of health (Ponte and Falleiros, 2010). During this period, there was a decrease in the direct participation of the State in serving the population, being replaced by the private contractors. Only those who had a formal contract were entitled to medical assistance by the National Institute of Medical Assistance of Social Security (Inamps), created in 1974. Those without a formal labor contract sought care in philanthropic or private institutions, and the poorest were treated as destitute.

In the same vein as health, as before mentioned, during the military dictatorship, there was a substantial increase in the concentration of income in Brazil, widening the gap between rich and poor and aggravating social inequalities. This concentration occurred mainly at the expense of flattening workers' wages from the lower classes, increasing the wages of a small group consuming superfluous items to sustain the Brazilian "economic miracle."

Some data¹⁴⁶ illustrate¹⁴⁷ this very well¹⁴⁸. In 1960, four years before the military coup, the poorest 20% in Brazil held 3.9% of the national income. In 1970, this percentage dropped to 3.4% and, in 1980, to 2.8%. Making another cut, considering now the poorest 50%, they held, in 1960, 17.4% of the national income. Their share of national wealth dropped to 14.9% in 1970 and 12.6% in 1980. At the same time, the wealthiest 10% rose from 39.5% in 1960 to 46.7% in 1970 and 50.9% in 1980. The wealthiest 5% saw their income increase from 28.3% in 1960 to 34.1% in 1970, reaching 37.9% in 1980. Finally, the wealthy 1% jumped from 11.9% in 1960 to 14.7% in 1970 to 16.9% in 1980. IBGE's surveys show the pinnacle of the "economic miracle:" in 1973 with an unequal income distribution where 12.5% of workers earned up to half the minimum wage; 20.8% received up to a minimum wage; 31.1% up to two minimum wages;

¹⁴⁶ IBGE Data Bank (<https://www.ibge.gov.br/geociencias/informacoes-sobre-posicionamento-geodesico/servicos-para-posicionamento-geodesico/16327-banco-de-dados-geodesicos.html?=&t=o-que-e>)

¹⁴⁷ IBGE Estatísticas do Século XX (<https://seculoxx.ibge.gov.br/images/seculoxx/seculoxx.pdf>)

¹⁴⁸ IBGE Dados Históricos dos Censos demográficos (<https://memoria.ibge.gov.br/historia-do-ibge/historico-dos-censos/dados-historicos-dos-censos-demograficos.html>)

23.6% between two and five minimum wages; 7.25% between five and ten minimum wages; 3.2% between ten and twenty minimum wages; and 1.6% received more than twenty minimum wages. In other words, while the supposed "economic miracle" was taking place, 64.4% of the population received at most up to two minimum wages.

To establish a comparative ground, concerning wages, prices and inequality, and prices and laborers' real wages, this study put side by side four Tables, built from basic methodologies. The first two tables (31 and 32) compare Brazilian and South Korean inequality in three specific points in time: 1960, 1970, and 1980.¹⁴⁹ Based on the number of subsistence baskets as the unit of analysis and daily building laborer's wage as a counterpoint to it, the method divides the latter by the former under certain parameters. Thus, the greater the resulting number, the higher is the inequality. Moreover, to establish a comparative ground, concerning wages, prices and salaries serve the other two tables (35 and 36). In these, the unit of analysis is the Gini coefficient and the gross household income Gini per country the counterpoint to it. In this case, the greater the resulting number, the lower is the purchasing power of salaries. Again, the method divides the latter by the former to extract a referential number.¹⁵⁰

TABLE 31: Income Inequality in South Korea and Brazil 1950-2000.

| YEAR | INCOME EQUALITY SOUTH KOREA | INCOME EQUALITY BRAZIL |
|------|-----------------------------|------------------------|
| 1950 | 30.31 | 49.34 |
| 1960 | 31.68 | 55.43 |
| 1970 | 33.98 | 57.84 |
| 1980 | 39.85 | 57.15 |
| 1990 | 34.51 | 58.60 |
| 2000 | 31.57 | 61.20 |

SOURCE: Author's adaptation of <https://www.clio->

[infra.eu/IndicatorsPerCountry/SouthKorea_IncomeInequality_TerritorialRef_1949_2012_Ccode_410.xls](https://www.clio-infra.eu/IndicatorsPerCountry/SouthKorea_IncomeInequality_TerritorialRef_1949_2012_Ccode_410.xls)

x

¹⁴⁹ Variable group(s): Wages and prices. Variable(s): Building laborers' real wage by country – Daily building laborers' wage divided by a daily subsistence basket r. Unit of analysis: number of subsistence baskets. Methodologies used for data collection and processing: Bibliographical research, research of published and Online Databases, and cross-analysis of various datasets. Available at: <https://clio-infra.eu/Indicators/LabourersRealWage.html>

¹⁵⁰ Variable group(s): Wages and prices. Variable(s): Gross household income Gini per country. Unit of analysis: Gini coefficient. Methodologies used for data collection and processing: Bibliographical research, research of published and Online Databases, and cross-analysis of various datasets. Data quality: i. Central statistical agencies; ii. Historical reconstructions; iii. Estimates; iv. Conjectures

Obs.: Virtually all benchmark data after 1960 are derived indirectly from Central Statistical Agencies and therefore probably better classify as historical reconstructions. The remaining data are estimates and, further back in time, conjectures.

<https://www.clio->

[infra.eu/IndicatorsPerCountry/Brazil_IncomeInequality_TerritorialRef_1960_2012_Ccode_76.xlsx](https://www.clio-infra.eu/IndicatorsPerCountry/Brazil_IncomeInequality_TerritorialRef_1960_2012_Ccode_76.xlsx)

Despite the numbers indicating South Korea as a more egalitarian country than Brazil in the period under the scope, comparatively speaking, the inequality in South Korea grew about 26% from 1960 to 1980, while in Brazil it grew about 3% in the same period.

TABLE 32: South Korea and Brazil Laborer's Real Wage.

| Year | South Korea | Brazil |
|------|-------------|----------|
| 1955 | 11.31623 | |
| 1964 | 6.53915156 | |
| 1965 | 8.134906 | |
| 1966 | 8.050159 | |
| 1967 | 12.48639 | |
| 1971 | | 9.617547 |
| 1972 | | 12.40681 |
| 1973 | | 11.12019 |
| 1974 | | 10.5916 |
| 1975 | | 12.63919 |
| 1976 | | 17.31306 |
| 1977 | 16.94702 | |
| 1978 | 19.52248 | |
| 1984 | 19.32953 | |
| 1985 | 23.55482 | |
| 1986 | 24.9964 | |
| 1987 | 20.94626 | |
| 1988 | 19.88024 | |
| 1989 | 31.66563 | |
| 1990 | 29.71558 | |
| 1991 | 36.24526 | |
| 1992 | 41.54669 | |
| 1993 | 37.42812 | |
| 1994 | 45.22201 | |
| 1995 | 44.19336 | |
| 1996 | 46.8209 | |
| 1997 | 52.56758 | |
| 1998 | 30.5139 | |
| 1999 | 44.00337 | |
| 2000 | 36.23629 | |

SOURCE: https://www.clio-infra.eu/IndicatorsPerCountry/Brazil_LabourersRealWage_TerritorialRef_1960_2012_CCode_76.xlsx

https://www.clio-infra.eu/IndicatorsPerCountry/SouthKorea_LabourersRealWage_TerritorialRef_1949_2012_CCode_410.xlsx

In this case, both countries present similar status concerning salaries and their power purchase, which makes the comparison even more intriguing. Data show that despite having become less egalitarian through time since the 1950s, its gross population presents a higher living standard than the Brazilian one for the same lower and middle-income strata. What then,

in the period, has made South Korea a wealthy nation and Brazil a rich country? The answers all point to a continuous broad institutional transformation implemented in South Korea through economic nationalist policies, which, when related to human capital and fostering national firms and technological upgrades, have been relentless in promoting both.

Nevertheless, according to Chiavenato (1994), the Brazilian "economic miracle" of the late sixties and early seventies showed an increase in industrial production that did not reflect an actual increase in the economy. That is, what has been called the "economic miracle" was a phenomenon that, according to some analysts, favored only 7.2% of wage earners. This layer earned up to ten minimum wages. This "miracle" was only possible because the impoverishment of the people did not necessarily mean an economic stagnation in the sum of national income: it was just disproportionately distributed. Thus, there was never prosperity for the working class during such an "economic miracle," but misery for most of the Brazilian people. In a sense, something similar happened in South Korea, which, as said, did not impede it to improving the well-being of its general population. The answer to this puzzle again reflects an orchestration of applying the whole set of public policies. It indicates that besides the ideological and practical factors, other was the reason for South Korea's success. This study argues that this reason may be found in the "Maestro and its orchestra" that conducted this South Korean DS agenda aiming at fostering the local economy to internationalize and at the same time improving the living condition of its population by slowly degrading its inequality rate. Interesting combination of developing mechanisms which configures in the most paradoxical aspect of the South Korean development in that period: to raise the standard living condition of the general population without considering to improve the inequality rate.

The Brazilian dictatorship privileged some foreign investments as a mechanism to grow at any cost. Thus, the Constitution promulgated in 1967, in its Article 161, allowed the exploration of the Brazilian subsoil by foreign companies interested in strategic minerals. Moreover, the growth at any cost method to build a great country exorbitantly increased the external debt. The military raised Brazil's foreign debt fifteen times in just fifteen years. It went from USD 3 billion to 45 billion. The Geisel government, generally considered austere, raised the external debt from 9.8 billion dollars in 1974 to 35.1 billion in 1978. As before mentioned, that had a reason for being - not to slow down the economy, considering that, if it reduced foreign borrowing, it would jeopardize the production. However, in the end, such production was aimed at a small parcel of the society, as shown by Chiavenatto (1994), that made fabulous profits for multinationals. Not to slow down the economy was the same South Korean "mantra."

Nevertheless, in general terms, credit conditions and foreign support differed from those offered and taken by the Brazilian government (Jones and Sakong, 1985; In Kim & In Vogel, 2011).

Multinational companies remitted high profits to their overseas headquarters during the period. For example, from 1966 to 1976, Cigarette manufacturer Souza Cruz invested USD 2.5 million in Brazil and sent abroad, in the form of profits, a hefty 82.3 million. Firestone, in turn, invested a timid 4.1 million, according to data from a CPI of the Chamber of Deputies, carried out in 1976, and remitted abroad USD 50.2 million (Bocchin, 2014). The s remittance of 'profit took advantage of no capital controls and substantial due to tax incentives. One of the first measures taken by the military dictatorship was to revoke the Remittance of Profits Law, approved in 1962 and enacted in January 1964, at the end of Goulart's government.

To accommodate different interests, the regime ended up favoring a certain fraction of the national business community, even creating a market reserve in some areas, particularly in construction, and encouraging the concentration of certain industrial activities in the hands of foreign companies. Sectors of Brazilian businesspeople complained about the denationalization of the Brazilian economy imposed by the military. Data show that, in 1977, after thirteen years of military rule, 72% of the electrical appliance industry was dominated by foreigners, while 99% of the tobacco sector, 69% of transport materials, 60% of mechanics, and 100 % of office machines. As if that was not enough, 52% of Brazilian foreign trade was in the hands of multinationals Jobs were lost with this denationalization of the Brazilian economy (Bocchin,2014).

According to Bocchin (2014), the international organization World Population found that, in 1979, 52 children were dying every hour in Brazil. In that same year, Malnutrition was responsible for 52.4% of deaths among children up to five years of age. According to IBGE¹⁵¹ data, between 1960 and 1968, infant mortality rose from 62.9 to 83.8 (per thousand inhabitants)

¹⁵¹ <https://seculoxx.ibge.gov.br/economicas.html>

<https://seculoxx.ibge.gov.br/populacionais-sociais-politicas-e-culturais.html>

<https://www.ibge.gov.br/>

IBGE (Ed.). Estatísticas do século XX. Rio de Janeiro: Instituto Brasileiro de Geografia e Estatística, 2006.

<https://www.ibge.gov.br/>

IBGE, Censos Demográficos, 1970 e 1980.

IBGE, Pesquisa Nacional por Amostra de Domicílios, diversos anos.

<https://biblioteca.ibge.gov.br/visualizacao/livros/liv23926.pdf>

<http://repositorio.ipea.gov.br/bitstream/11058/3249/1/Desigualdade%20de%20renda%20no%20Brasil%20-%20v.%201.pdf>

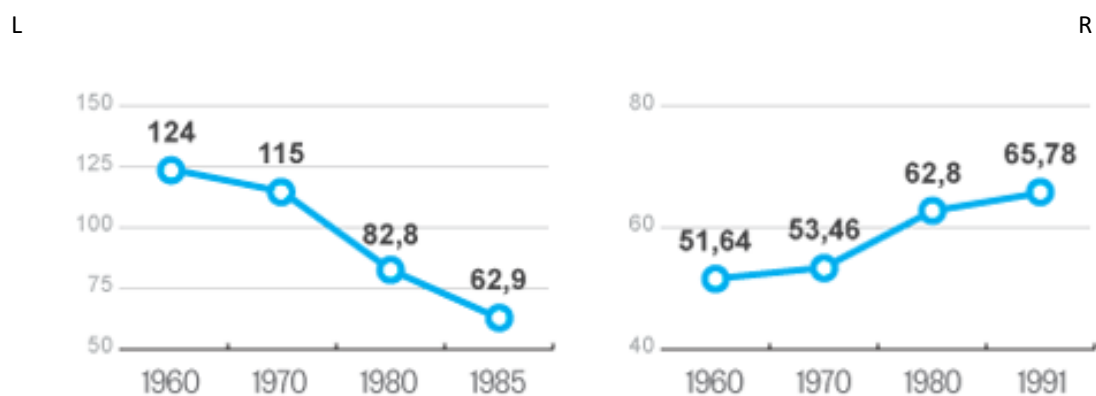
<https://seculoxx.ibge.gov.br/economicas.html>

<https://seculoxx.ibge.gov.br/populacionais-sociais-politicas-e-culturais.html>

in São Paulo. In Belo Horizonte, from 1960 to 1972, the index jumped from 74.2 to 105.3. In 1981, IBGE registered that 70% of the population did not eat enough and officially recognized 71 million undernourished people in Brazil. All this is in the middle of the “economic miracle.” In other words, while the “economic miracle” registered an increase in GDP of 11.4%, in 1973, 13 million children and 28 million adults were hungry in Brazil. This year also registered the most significant low wages in the history of Brazil, revealing the contradiction between economic growth and the growth of poverty.¹⁵²

Nevertheless, these data are conflictive with data published by one of the largest media groups in Brazil (FIGURE 48). For the sake of bringing a different narrative, the study intends to show that this period ‘s success or failures are still in dispute even today.

FIGURE 48: Infant mortality rate per thousand live births (L) Life expectancy at birth (%) (R).



152

<http://repositorio.ipea.gov.br/bitstream/11058/3249/1/Desigualdade%20de%20renda%20no%20Brasil%20-%20v.%201.pdf>

<https://seculoxx.ibge.gov.br/economicas.html>

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<http://repositorio.ipea.gov.br/handle/11058/2493>

http://repositorio.ipea.gov.br/bitstream/11058/1289/1/td_0145.pdf

IBGE, Censos Demográficos, 1970 e 1980.

IBGE, Pesquisa Nacional por Amostra de Domicílios, diversos anos.

<http://200.144.244.241/foruns/index.php/pt/wiki/12-sobre-os-bancos-de-dados/11-censo-de-1960>

http://memoria.org.br/ia_visualiza_bd/ia_consultar_acervo.php?p=28&c=t

<https://biblioteca.ibge.gov.br/visualizacao/livros/liv23926.pdf>

<http://repositorio.ipea.gov.br/bitstream/11058/3249/1/Desigualdade%20de%20renda%20no%20Brasil%20-%20v.%201.pdf>

<https://seculoxx.ibge.gov.br/economicas.html>

<https://seculoxx.ibge.gov.br/populacionais-sociais-politicas-e-culturais.html>

SOURCE: <https://infograficos.oglobo.globo.com/economia/entenda-os-numeros-da-economia-no-regime-militar.html>

Even given this situation, the investments of the military dictatorship in the health sector have decreased over the years. In 1966, the Ministry of Health received 4.29% of the federal budget; this percentage dropped progressively until reaching 0.99% of the budget in 1974 (Bocchin, 2014).

5.6. The military and developmentalism

Brazilian military thought is at the origin of the national modernization and development project in its political and strategic modality. Since the introduction of positivism in military schools in the late nineteenth century, the military thought about Brazil considered the country's vocation to become a great power.

With the end of the Paraguayan War in 1870, the Army gained prominence in national political life. Positivism brought substance to this projection, and its doctrine helped structure the military thought that was being formed. Military thought imposed itself in national life with the Proclamation of the Republic in 1889. However, this determination was ephemeral, as it was overthrown by the unfortunate military campaign in Canudos, which opened space for its contestation and subsequent defeat by the oligarchic elites, in particular, the São Paulo and coffee elites, who conducted business in Brazil from 1889 until 1930 (Ferreira, 2007; Trevisan, 1985). However, with the Revolution of 1930, the result of the positioning of the military youth in the previous decade, the Army returned to the proscenium of the national scene and for half a century instilled its thinking in the conduct of the country (Coutinho, 1987)

Military revolts occurred in the first three decades of the twentieth century. The military rebels did not have a project for Brazil. Their revolts aimed, at first, to rescue the dignity of the Armed Forces, which, according to them, had been outraged by the government on several occasions. However, the revolutionary process of these years allowed low-rank officials to consider a project for Brazil. This project, however, only took shape with the Estado Novo (New State) in 1937. From that date onwards, the country's economic development began to have a project originating from the Brazilian military thinking, which, through practical actions, accelerated Brazil's growth. However, this thinking was not substantiated in a project (Mourão Dantas, 2013).

Geisel, who entered the Military School in 1925, said to be contaminated by the revolting ideas of the period, and, when asked in an interview if his generation had a project for the country, declared:

No. There was not a specific project. We did not even have the culture for that. We just thought that the nation had to breathe. It had to be different and work harder. We did not just look at the problem from the Army's point of view. We looked at the general picture of the country, mainly political. We thought the country was stuck. It was the regime (...) of reciprocal favors (...) (Geisel apud D'Araújo & Castro, 1997:30) (Author's adaptation).

In the view of Juracy Magalhães, a low-rank official in the period, "The lieutenants wanted to establish in Brazil a democracy comparable to that of the United States, where citizens' rights were respected, and prosperity was within reach of any worker" (Magalhães apud Gueiros, 1997:43). The low-rake officials expanded the programmatic range in their speech, demonstrating a particular nationalism.

However, the low-rank officials' theoretical liberalism was at odds with their political practice. Távora, one of the revolutionary military exponents of 1930, for instance, despite claiming to be democrat and liberal after his victory in the 1930 revolution, was against the return to democracy.: "We were opposed to the word, the idea of an immediate return to the constitutional regime because we believed that the dictatorship had not yet achieved – but could do it in the short term – some of those goals for which we had fought (...)" (Távora, 1974:86). This contradiction has always been present in the military discourse since the inauguration of the republican regime in 1889: to fight for democracy through a dictatorship.

Still influencing the military thought was positivism. In their minds, there was the idea that Brazil should correct the course without significant trauma. It should return to the rule of law that governments had usurped. Maintaining order was imperative for development according to positivist premises. When the 1920s ended with the Revolution of 1930, deposing the president elected, the military rebels also prevented the inauguration of the newly elected president, and Vargas, civil leader of the revolution, assumed the leadership of the Provisional Government. The victorious Revolution of 1930 dispensed a government program that represented the different political, civil, and military segments that participated in it. Building such a program required guidance and consensus, challenging to achieve because of the conflictive agenda of interests on where the revolution was accommodated. Such power blocks dispute of interests and the military juggling to accommodate them without trauma have impregnated the military movements since then. The 1964 coup reproduced the same pattern.

Távora was one of the first to notice this situation and, in an interview published in "O Jornal do Comércio," explained that "(...) he found the government program deficient" (Távora,

1974:10) and that he actually "felt perplexed (...)" and that "this perplexity stemmed, in part, from the disparity of thought – even among the military leaders of the victorious movement, despite the transformations to operate, and the adequate ways to carry them out" (Ibid., p.11). Lieutenant Juracy Magalhães also noted the lack of a paradigm: "(...) the (rebels) hardly knew what measures to take. Strictly speaking, they did not have a program to change society" (Magalhães apud Gueiros, 1997:46). Despite the program's uncertainties, something was taken for granted in the discourse of the victorious revolutionaries: the dictatorship had installed itself without a deadline. Again, resemblances of the 1964 coup with the 1930 revolution can be established, and a pattern becomes visible.

In addition to defending the dictatorship, Távora made clear the need for the military to protect civil administrators and, in general, politicians. In 1931, Távora stated that "(...) he had defended, with conviction, the thesis that military revolutionaries should not, except exceptionally, occupy positions of civil administration during the period of discretionary government, to be better able to watch over the actions of civil administrators (...)" (Ibid:36).

Then, some scattered ideas will become the keynote of the 1930 military intervention, which will later compose military thinking in an organized way: military tutelage to civilians, military intervention, dictatorship to return to democracy, nationalism, political and economic centralism. This will not only justify military interventions but will also guide military-political diagnoses and forecasts for the country. The 1964 coup will reproduce this pattern and the other pattern of a lacking program to change society due to the need to accommodate bloc powers' interests.

The Revolution of 1930, in the first years of the Provisional Government, failed to develop a more concrete project for the country. Furthermore, until 1937 with the Estado Novo, the military did not elaborate a military thought that would support its actions from a political point of view and a militarist perspective. The State that emerged with the 1930 movement was indefinite in representing a hegemonic class that would give it support and legitimacy. In the words of Fausto (1969:253): "The 1930 revolution is not an expression of a class struggle or even of a pure division of bourgeois factions, between an agrarian sector and an industrial sector." Further on, Fausto (1969: 253-254) completes his reasoning:

The State born in 1930 and took shape throughout the decade, ceases to directly represent the interests of any sector of society. The coffee bourgeoisie is displaced from power as a result of the economic crisis; the middle classes are unable to take over; the low-rank officials failed as an autonomous political movement; groups unrelated to the coffee sector, especially the industrial sector, are not in a position to adjust the

power according to their interests, either because such interests often coincide with those of that sector, or because coffee, despite the crisis, continues to be one of the primary centers of the economy. (Author's adaptation).

Given this, this study can interpret the 1930 movement because of the political discontent prevailing among elite segments, whether linked to the coffee sector or not. On the other hand, it results from corporatist actions of a military nature, which took shape in its walk-in alliance with opposition civilians. Thus, the 1930 Revolution at best represented the interests of groups or fractions of them. Quite the same pattern can be seen in the 1964 coup.

If, until then, there was not a segment that dominated the State apparatus and represented its interests, there was also no thought elaborated by such segments. This thought would only emerge from the Estado Novo in 1937. Until then, the Revolution had not yet found its way. The rearrangement made from 1937 onwards will bring the State and industry to occupy central roles in the developmental agenda, inaugurated without any theoretical background. Almost three decades later, the 1964 coup will reproduce some of the patterns established at that first moment of the 1930 Revolution. Nevertheless, despite the persistent lack of theorization, it undoubtedly implemented a more pragmatically developmental agenda.

From 1937 on, finally, a national development policy centered on industrialization was created, which grew during the second Vargas administration (1951-1954):

The State turned to the consolidation of basic industry and became the fundamental agent for the modernization of the economy. The investment in strategic activities, perceived as a way of guaranteeing the country's sovereignty, became a matter of national security (PANDOLFI, 1999:10).

What allowed this paradigm shift was the exhaustion of the coffee-export economy, with the world crisis that began in 1929. Consequently, industrializing the country meant relocating it to a new international context, no longer focusing on raw materials. Therefore, a robust internal infrastructure should be prepared to accelerate growth to cope with the task. Thus, it would be possible to achieve the insertion of Brazil in the international context as a producer of manufactures and, from a geostrategic point of view, would place it as a partner of the great powers. At last, after 1937, economic development gained a project originating from the Brazilian military thought, which modernized and accelerated the country's growth.

The modernizing mentality will consolidate with the National Security Doctrine (DSN) issued in 1949. Thus, the Army sought to build the means in the State apparatus for the nation's

structural transformation (Ferreira, 2007). According to Miyamoto and Gonçalves (2000), there would be a realistic perception among the militaries about the international system, which linked the State's political and economic actions to geopolitics. An example of this perception is the attempt to associate security with development (Trevisan, 1985). One of the great pillars of the DSN would be the fight against Communism (Ferreira, 2001).

In the late 1940s and 1950s, the military elite split into nationalists and liberals¹⁵³. The nationalists became military and civilians, both on the left and right side of the political-ideological spectrum, who understood that specific themes on the national agenda such as oil, industrialization, foreign policy, and the participation of foreign capital in the economy should follow a nationalist project with a developmental character. On the other hand, liberals, or Americanists, perceived the need to align with the United States in the diplomatic field. For them, the economy should be mainly agricultural, fostering the free entry of foreign capital without taxing profits from multinational companies and the oil exploration being done by international companies. Regardless of their differences in leading Brazil to the desired greatness, both groups reflected the military thought of the industrialization period established from the 1950s onwards (Trevisan, 1985).¹⁵⁴

These two streams continuously fought each other within the Armed Forces, with alternated leading periods between them: at one point, the nationalist current reached the top of the Forces command – represented by the position of Minister of War - or the prestigious position of President of the Military Club, at another point the Americanist stream assumed this position. What is important to emphasize is that when one stream assumed control of the military structure, it did not eliminate the other faction. In a "respectful" disputing process, they coexisted – opponents, but not enemies. With the 1964 coup, this interactional mode would change.

The nationalist vs. Americanist (liberal) dichotomy was outside the military ranks and exposed society's divergent worldviews. In this sense, the Superior Institute of Brazilian Studies (ISEB), the Brazilian Labor Party (PTB), and sectors of the Armed Forces were the greatest defenders of nationalist and developmental ideas in the country. Leading intellectuals, Furtado among them, favored a national autonomous development project that would transform the productive base and overcome the external economic dependence of Brazil. In the opposite

¹⁵³ Liberals, or Americanists, were constantly referred to as "deliverers," a pejorative adjective common among their critics.

¹⁵⁴ Cf. Jaguaribe, Hélio. Nationalism in the Brazilian present. Ministry of Education and Culture, Higher Institute of Brazilian Studies, 1958.

direction were the National Democratic Union Party (UDN) and civil institutions such as the Brazilian Institute of Democratic Action (IBAD) and the Institute for Research and Social Studies (IPES), as well as some newspapers, which advocated an alignment with the United States and the participation and deregulation of international capital in the Brazilian economy (Bresser-Pereira, 2004).

The "Doutrina de Segurança Nacional" - DSN, conceived inside the Superior War School-ESG, combined national security and development. For this purpose, national objectives would lead the nation to fulfill long-term national desires in the form of power (Vlach, 2003). In addition to being an instrument of national economic development, the DSN was an essential pillar of the military thought on geopolitics (Oliveira, 1987). In this sense, Vlach (2003) reinforces that the ESG had theoretical pretensions concerning the country's development to make it great power, considering the bipolar world of the moment. This compound military-civilian administration continued to reproduce the hidden conflictual agenda of two bloc powers that, in the end, converged on the idea of building a great country: selective as to what social groups prioritize and economic and geopolitically powerful among nations.

From the military's point of view, what then would be the ideal modernization policy to be proposed for the nation, given that an inflection in the military's political relations toward society led to 1964? After continuous indirect participation – or even directly in some cases, as in the 1945 elections, which ran two soldiers, Dutra (Army) and Gomes (Air Force) – in the country's decisive events since the Proclamation of the Republic, they have now seized power. This new political conformation resulted from ideological conceptions and interests of two specific groups. Fractions of them actually: business and military. These conceptions emanating from the military group did not have a unity of thought, sometimes fostering and others opposing a liberal and exclusive business ideology disseminated by a fraction of the business group from São Paulo. Thus, the Armed Forces were not as homogeneous as one might think, and the twenty-one years of dictatorship (1964-1985) exposed its fragmentation (Ferreira, 2007).

Thus, following the DSN and the geopolitical thought emanated from it, the Brazilian State aligned with the US in the context of the Cold War, regardless of more autonomist positions, sought to grant greater independence to the project of world power. Thus, during the dictatorial period, Costa e Silva and Geisel's governments were more autonomous. Automatic alignment was present in the Castello Branco government, which remained more ideologically subdued, compromising the Brazilian State's ability to maneuver (Cervo and Bueno, 2002).

The arrival to the political power of the Americanist stream in 1964 marks the beginning of the systematic extermination of the nationalist one. This occurred through an extensive purging of military personnel from the Armed Forces. The professional category most affected by the Institutional Acts was the military themselves. A sequence of compulsory retirements and expulsions followed Military Police Inquiries -IPM. From 1964 onwards, the hegemonic ideology within the Armed Forces became that of the Americanist stream - the Brazilian development process would involve private and foreign capital, with the USA as an economic and social model.

Throughout the 1960s, domestic policies supported the government mainly by forces historically critical of nationalism such as the UDN and institutions such as IBAD and IPES. Castello Branco's (1964-1967) economic policy followed the guidelines of liberal orthodoxy, creating a capital market, dissolution of the law to control the remittance of profits by multinationals, and efforts to fight inflation. The Government's Economic Action Plan (PAEG) was the mainstay of an economic development project based on these premises. Later, without leaving the Americanist profile, this vision will begin to change. The implemented policies reflected this double contradiction of guidelines throughout the regime: sometimes liberal and internationalist, sometimes statist and nationalist. In this environment of double contradiction, on the one hand, there was an attempt to reform the capitalist order and reaffirm national interests; on the other, the attitude of ideological alignment hindered any possibility of preserving these same interests (Cervo and Bueno, 2002).

The ideological characteristic that shaped the Americanist stream went through a significant metamorphosis in 1966, following US' orientation for all developing countries with intriguing and distinct consequences in different countries. From the changes, national security and development, previously dissociated concepts, should walk hand in hand. In other words, security is development, and there is no security without development. Not by chance, in 1967, Castello Branco launched the binomial "security and development" in a speech at ESG. From this moment on, the military assumes development as a constitutive element of national security – something that was not present before. Thus, as strange as it may seem, the Americanist stream adhered to the developmentalism of a national character (Cervo and Bueno, 2002).

However, the inclusion of development in national security had a collateral effect that the Americans perceived in the States under their sphere of influence: the growth of the nationalist content in the military milieu. To contain and deny the advance of a nationalism inconvenient to their interests in these countries, the Americans sought to inflate anti-communist sentiment. It was done in Brazil as in South Korea as well. In other words, the intensification of an anti-

communism encouraged by the USA, in the various countries subject to its influence, aimed to contain the nationalist wave resulting from the adoption of development as an intrinsic element of national security.

With the rise of Costa e Silva (1967-1969), the country once again glimpsed a project of great power, as the alignment with the United States was placed in a more pragmatic perspective. It was the case of criticism and not adhesion to the Nuclear Non-Proliferation Treaty (NPT) of 1968. Far from monolithic, from 1967 on, the military government conceived that the international order should reflect on the North-South economic asymmetries instead of the East-West ideological one (Cervo and Bueno, 2002). Thus, the technological, economic, and military questions are part of the exercise of power, which the country sought to guarantee through a more independent development project. The nuclear issue becomes, in fact, the primary vector of this power re-arrangement (Castro et al., 2004; Castro and Kraay, 2004).

In the economic field, the Costa e Silva government launched the Strategic Development Plan (PED), which was based on massive investments in infrastructure and used more heterodox instruments to leverage national development. There was a perception of the need to seek policies that would not constrain the country's growth and development. This would also guarantee the regime's legitimacy (Prado, 2011).

Costa e Silva gives way to Médici, who rules from 1969 until 1974 during a period of extraordinary economic growth. This growth is due to significant public investments in infrastructure that culminated in the National Development Plan I (PND I), 1972-74). With Médici came the "National Interest Diplomacy," a strategy for international insertion with ambitious goals, where development and nationalism became interpreted as national interests and the country's projection. Thus, such ideological guideline sought to assign five functions to the government: 1-altering the rules that crystallized world power; 2- using the power resulting from Brazilian growth in favor of the poorest peoples; 3- assisting in the construction of the new international economic order to change the status quo in international relations; 4- broadening solidarity with developing peoples, and 5- deepening and maintaining universalism in foreign policy (Cervo and Bueno, 2002). As can be seen, the focus remained on the country's greatness among countries, and not necessarily on the nation's greatness, as an expression of general well-being.

The developmentalism adopted by the application of the DSN increased the nationalism trend within the Armed Forces, manifested, for example, in the valorization of Petrobras, the search for national technologies, and the nuclear agreement. Nationalism already existed before

1964 within the Armed Forces, but it was uncoupled from the concept of national security. In a sense, this was something very new. The Americanist strand, winner of 1964, would remodel nationalism on its terms, guided by the DSN. Geisel's (1974-1979), nationalism would result from applying this prescription, even leading to the occurrence of clashes with US policies and interests. Not by chance, the opposition group to Geisel within the Armed Forces was composed of the staunchest anti-communist segments, going so far as to accuse Geisel himself of betraying the principles of the "Revolution."

Nevertheless, as Werneck Sodré (2014) stated, the coups and coup attempts operated by the Brazilian armed forces since 1937 were instrumentalized and mobilized by conservative, liberal and reactionary political forces. Therefore, the military nationalist facade cannot hide the essence of the coup. It is necessary not to make the surface as the substance. The project to transform the country into a world power, and modernize it authoritatively, was neither homogeneous nor linear. The internal conflicts of the military fractions in power and business groups' disputes over budget and projects made political continuity and cohesion difficult. However, this did not prevent the continuity of the developmental modernization project, now under a "Prussian" type nationalist government plan (Coutinho, 2006).

Despite military developmentalism seeking industrialization, modernization, and autonomous national growth, these three aspects reflected the convergence of the power bloc's interests concerning nation-building and economic nationalism profiles. The resultant profile oriented the regime's DS process. Such interests, namely business short-term profits and the military desire to build a powerful country to remain permanently in power, are the primary root causations of the developmental process inaugurated in 1937 and re-inaugurated in 1964.

The economic nationalism and nation-building embedded in the military thinking at the forefront of the Brazilian industrialization process proved to be successful, considering the ideological background on which it was based. It is impossible to disagree that successful industrialization occurred during the military period and led Brazil to a different level in the international economic order. By maintaining a more developmental economic policy continuing the initiatives of Vargas, the military governments strengthened the role of the State in the productive modernization of the country.

CONCLUSIONS

This dissertation research question was why and how the institutional and ideational patterns of the developmental paths persuaded by the military governments in South Korea (from 1961 to 1979, under Park Chung Hee) and in Brazil (from 1964 to 1979, under four out of five dictators) differed considerably, shaping the latter's transition to export-oriented industrialization with increasing complexity and local content.

The consequences of the actors' choices in South Korea and Brazil loomed in the 1970s and the beginning of the 1980s. By the mid-1990s, South Korea had become a high-income country overcoming the middle-income trap with robust high technological and industrial capabilities. Conversely, Brazil is mired in the middle-income trap, having reached the middle-income status in 1980. Since then, Brazil underwent gradual and steady deindustrialization with no transition to acquiring robust technological and industrial capabilities in sight.

The politics of ideation, often disregarded by the literature about developmental state, as a complement to this puzzle, provides part of the answer to why such institutional developmental patterns evolved differently. The two cases analyzed were latecomer countries and ended up so differently after twenty years of dictatorial DS. The concept of idea of the nation and its role in forming preferences turned out to have a relevant and robust explanatory power. South Korea achieved far better outcome, despite the fact that in the early 1960s Brazil had more advanced initial conditions - socioeconomic, infrastructure, and industrial structure.

The literature often approaches the puzzle with three theoretical currents: liberal, State-driven, or geopolitical, rarely combining their constituent elements. This dissertation went further. Besides integrating them in a composite theoretical perspective, added ideational components. The results achieved with this new revised theoretical perspective and associated enlarged analytic framework allowed for the critical assessment long-established claims. The first one deals with an alleged Brazilian State's lack of capacity to generate and implement developmental public policies geared to the launch of Brazilian society to a higher-income status and the Brazilian economy to an independent technological, industrial upgraded level. The dissertation unveils the evidence that it was not an issue of state capacity, but rather the result of well-planned and executed economic nationalist policies and the concept of imagined nation that established the path.

The second deals with the attribution to the South Korean success to PCH's capability to turn the country less unequal, which led the population to support his DS project. Unfortunately, neither South Korean society reduced inequality during his period in office nor did it support PCH's project. Data show that inequality is a typical trait of both South Korean and Brazilian societies, irrespective of the dimension it presents in each country. Analysis of the literature produced insights to make an educated claim about society's voluntary support for PCH's agenda as neither supportive nor opposite, but rather indifferent.

The third finding addresses the indirect impact of land reform as a contributive and constitutive component of a successful continuously upgrading industrialization path. History provides examples of its importance in early industrialized countries. Nevertheless, late development countries tend to oversee the role of agrarian reform in backward rural social structures. For South Korea, a consistent land reform helped mold an integrated rural-urban industrial development. By contrast, despite thousands of rural families being settled since the mid-1970s, in Brazil, the process was decoupled, and these settlements did not integrate synergically with the ongoing industrialization.

The fourth deals with South Korean development plans' quality, integration, and role compared with Brazilian ones, independently of the fact that more development plans have been elaborated in Brazil than in South Korea. In both cases, they follow a learning-by-doing implementation. Nevertheless, in South Korea, they followed a pre-determined path during PCH's regime and ultimately formed a long-term unified corpus. Moreover, their implementation was critically accompanied by disciplinary measures that exceeded ordinary legislation. That was not the case in Brazil.

The fifth finding has to do with the role foreign aid. The study suggests that it was not the amount, quality, or pay-back conditions of finance made available to both countries that constituted a benefit or problem, but rather the use of the resources. In the South Korean case, resources were employed to build an inward economic nationalist proposal and were necessarily redirected to fulfill this agenda. In Brazil, on the other hand, the resources were largely used in monumental infrastructure engineering projects that, despite selective social, industrial and economic benefits, did not benefit either the low-income strata or regional integration, ultimately sinking the country in a huge debt in the coming decades.

The sixth is related to State-business relations and how the dominant power bloc related to other social groups and economic nationalism and nation-building processes. In South Korea, the establishment of a great nation encompassed various social groups and not only the elites.

In Brazil, where state-business relations were particularistic the dominant social bloc comprised the agrarian elites and alienated working classes from its social and economic perspective. As a result, the great country concept was translated to society as an expression of infrastructural, industrial, and institutional transformations with limited impact on the population at large. By contrast, in South Korea, the goal of a great nation was designed and implemented, encompassing the entire population in its continued pursuit of well-being, industrial, technologically advanced society's scenario: rich, unequal, and with a prosperous population.

The seventh finding encompasses the previous ones and was discussed in the "Undoing the failure misconception section" above. There, the study comparatively assessed the claim that the Brazilian DS project failed compared to South Korean. On the contrary, the study concludes that both countries were successful DS endeavors, regardless of the outcome that contributed to projected South Korea to a higher socioeconomic standard than Brazil. However, each was anchored in different logics of actions and visions of societal transformation: one exclusive and another inclusive. Thus, the concept of great nation was diffused and consolidated in South Korea. In contrast, a great nation could never become a reality in Brazil, a country where there were strong cleavages between the citizens and the elites. Therefore, it could only trail the path of becoming a great country, without an overarching societal project.

Thus, the results supported the dissertation's hypothesis. The developmental institutional arrangements resulting from the ideational and political factors can better explain the divergent outcomes observed in Brazil and South Korea. The nature and dynamics of these institutional arrangements shaped developmental paths that led to starkly different outcomes, due to contrasting ideational and political configurations within authoritarian developmental regimes.

It is the understanding of this study that in the South Korean case, like in the Brazilian one, the social-economic outcomes of the implemented actions during the period analyzed were due to a particular set of ideational, political, and institutional factors and arrangements, acting together with modes of interaction, involving discipline and coordination in the materialization of a DS strategy based on a specific operative nationalist ideology, and through the promotion of specific State-businesses-society relationship. Thus, the supported hypothesis suggests that the continuity and change in technological and socioeconomic patterns observed in both stemmed from a primary ideological drive.

Unlike Brazil's technological stagnation and middle-income trap, the technological advances and high-income status in South Korea implied a set of ideational, political, and institutional factors and arrangements comprising controlling mechanisms in the form of

discipline and incentives. Moreover, tightly coupled State-business and State-society modes of interaction driven by unique power bloc dynamics, each country represents a successful late development case, even in a comparison of one to another.

The dissertation claims that the outcomes of the developmental paths trailed by South Korea and Brazil by the end of the 1970s resulted, in the latter, primarily to the employment of the concept of economic nationalism to mold the policy discourse the State actions in the period. In Brazil, the "a-country-for-all," motto diffused by the regime, aimed at incorporating the entire society into a developmental project, was nevertheless executed under an exclusionary logic, given that both the State and most of the society had been captured by business interests in the period, a critical byproduct of power blocs dynamics' converging efforts to build a great country but not a great nation. This crucial semantic differentiation underpins the argument of this study. In Brazil, in building a great country, irrespective of the gradual increase in GDP per capita, a limited income redistribution favored improvements in the well-being of the high and middle-income strata. Next, on the top of the business capture, there emerged a blurred business-business environment, with distinct groups disputing control of the economy and a weak State operational capacity to coordinate State-business actions towards elaborating and implementing integrated long-term developmental public policies, particularly industrial and technological ones.

Nevertheless, in South Korea, the economic nationalism concept deployed focused on the pursuit of a public and inclusionary logic aimed at building a great nation. Irrespective of the fact that its nation-building privileged social groups and interests, the focus encompassed the whole society and aimed at increasing the per capita income. The absence of income redistribution requires further analysis since it is stagnant up to today. This is a paradox of the South Korean political economy; a successful development project brought better living conditions for most of its population without significantly improving inequality levels.

This dissertation claims that the economic nationalism concept-based on an industrial export-oriented pragmatism with a double socioeconomic bias - increasing the well-being of low and middle-income social strata and privileging local big-business groups - generated a feedback mechanism to a continuous technological, industrial, and social upgrade, the driver underpinning the so-called Han miracle. Furthermore, the deployment of the concept was further assisted by a State capacity to coordinate State-business activities for the continuously pragmatic elaboration and implementation of integrated long-term developmental policies, industrial and technological. In addition, they kept throughout a conservation with other related

short and medium-term policies, thus facilitating the consolidation of a holistic and pragmatic South Korean developmentalism path.

The results arrived here, the validation of the hypothesis, the demonstration that that the identified goals, ideologies, and political and institutional factors and arrangements, tightly coupled to coordination and discipline policy implementation praxis, constrained the developmental path differentiation. This embodies a solid explanation as to why, in Brazil, public policies and industrialization voluntarily failed to engender a structural industrial transformation and an overall social change for most of the population, as it took place in South Korea.

Next, the results support the view that to institutional and political factors, the idea of the nation, economic nationalism, and nation-building are undercurrents molding simple answers to the "whys" and "hows" these countries' paths led to such strikingly different outcomes. South Korea reaped enormous gains, even though it departed from a comparatively lower point than Brazil in social-economic and industrial terms in the 1960s. More importantly, the identification, characterization, and testing of the composite idea of nation versus country, placed against two critical country case studies' developmental experiences, demonstrated that these concepts variations underly their respective developmental paths, shaped outcomes, and informed each country's evolving political economy, bringing to the forefront of comparative analyses the explanatory power embodied in ideological factors. The demonstration of the explanatory power of employing semantics embodied in contrasting concepts, nation and country as elaborated here, constitute, this dissertation's main contribution.

In South Korea, however, the economic nationalism profile implemented during the period focused on pursuing a public and inclusive logic to build a great nation. Regardless of privileging particular social groups and interests in the nation-building process, the focus remained on the entire society and aimed at increasingly achieving a better income rate. Paradoxically, however, the South Korean inequality rate remains high and stagnated, and it is a task yet to be solved. This issue constitutes a paradox concerning the South Korean political economy since, for what counts, a successful development project has been materialized in this country, bringing better living conditions for most of its population without turning the inequality rate into a better prospect. Nevertheless, with better education and better technological and industrial capacity, acting both in a feedback loop, South Korea plays equally among developed parties for a substantial industrial market share today. Therefore, this study concluded that this economic nationalism concept, based on an industrial export-oriented pragmatism with a double selective bias, focusing at the same time on the low and middle-income society strata and the higher

social ones were able to feedback its local content continuous upgrade, being the reason underneath the so-called Han miracle. Moreover, there was a high State operational convergence capacity to coordinate State-business actions towards elaborating and implementing integrated long-term developmental public policies, mainly industrial and technological ones. As a result, they kept converging with other short and medium-term public policies, making it easier to materialize a holistic and pragmatic South Korean developmentalism.

The dissertation showed that the ideological, political, and institutional factors and arrangements, alongside with coordination and discipline, was an explanation as to why, in the Brazilian case, the public policies and the industrialization process implemented between 1964 and 1979 voluntarily failed to engender an industrial structural transformation and an overall social development, encompassing most of its population, as it was the case in South Korea. It also showed the institutional, political, and ideological root reasons that shape the idea of the nation and the economic nationalism favoring South Korea enormously, even in the face of having departed from a worse starting point concerning the Brazilian social-economic and industrial status in the 1960s.

If, after reading this work, only one idea remains echoing in the reader's mind, it may be the semantical difference established between a great country and a great nation and its necessary interlockings with development.

ENDNOTES

1) Process-tracing:

The term process-tracing was first coined in cognitive psychology to analyze the steps intermediaries in a decision-making process. It was later appropriated in political and broad social sciences studies to describe the use of inferences in a case to achieve historical explanations, expanding its scope from the individual level for macrostructural explanations (Checkel and Bennet, 2015).

Process-tracing can be translated as mapping or tracing of a process. It is a qualitative method that seeks to examine and analyze causal chains, linking a given phenomenon to a given result. Collier (2011) conceptualizes process tracking as a systematic examination of evidence diagnosis selected and analyzed in the light of research questions and hypotheses raised by the investigator. It is an analytical tool to describe causal inferences from the evidence in a temporal sequence of events. Cunha and Leitão (2017), in an analysis of studies that used the method, identified that historical institutionalism is one of the theoretical approaches that most use the process-tracing, both through case studies and “small-N” research. Thus, process-tracing explores how N small research engages in hypotheses testing by mapping out causal processes involved at a fine grain microlevel, following a temporal sequence with the goal of causal inference. The detailing of each causal element and the sequencing of the whole causal chain is done by process-tracing through a causal mechanism approach.

The causal process and causal mechanisms differ. When establishing a causal chain, each of its events may be related to one another, creating a chain of endogenous characteristics that may eventually lead to an outcome of interest. This entire sequence and all the characteristics associated with the sequences that made those events occur is the entire chain of events. Thus, all those events that comprise the pathway constitute a causal process (Falleti, 2009).

The causal mechanism is different from a causal process since it is a subset of it. Restrict. A causal mechanism is, or includes, only those characteristics or events that are required to estimate the causal effect of interest. No longer, however, is it sufficient to know the treatment variable and the outcome variable in a context of a specific causal mechanism. It is adequate to have more information about the entire causal process to properly establish a causal mechanism to estimate the causal estimator (Falleti, 2009).

So, a causal process contains all the variables that could somehow and somehow help to shape and form the understanding of the outcome of interest on the relationship among several variables of common interest, whether a causal mechanism requires a general view of the process and a deep understanding of what is related to specific characters to express certain variables in the entire causal process (Falleti, 2009).

Therefore, process-tracing is related to path dependence analyses. However, process-tracing goes further in detailing pieces of evidence that ultimately may have led the macro elements of a causal chain to a particular outcome. It is not, so, as in the path dependence method, a matter of identifying the independent variable, the dependent variable, and a small number of intervening ones (Falleti, 2009).

Checkel and Bennet (2015) point out that the method looks for evidence within a case to explain a particular phenomenon. These authors define process tracking as the analysis of evidence about processes, sequences, and conjunctions of events within a case to develop or test hypotheses about causal mechanisms that can causally explain the case.

Silva and Cunha (2014) also understand process-tracing as a qualitative research method based on constructing a causal chain to be tested that gives rise to a given result. This analysis is based on evidence and systematic observation of a given case. Process-tracing also has been seen with an umbrella concept, which brings together different formats and purposes of sequential analysis of events, which can be intensive or extensive (Falleti, 2016), based on historical narratives and hypothesis testing. Lima (2017) emphasizes that regardless of different formats and purposes of sequential analysis of events, the definitions of process-tracing converge to identify the method as an analytical tool and not just descriptive, distinguishing itself from a simple description by having a focus of analysis concerning the phenomenon and by being guided with a theoretical framework.

Process-tracing has been considered a viable instrument for the historical-comparative method. It has received significant contributions towards its formalization, clarification, and systematization, intending to reduce inferential errors, and has become a sound approach for analyzing causal factors processes and understanding complex phenomena (Checkel and Bennet, 2015).

Among the causal mechanisms, not only the material elements have been privileged by the method, but also approaches that take the centrality of ideas in the public policy process. (Lukic and Tomazinl, 2013; Metha, 2011). Beland and Cox (2011) argue that ideas are the primary source of political behavior since they shape goals and strategies and the way to face a problem.

Such an approach contrasts with the view that individuals have apparent interests and develop strategies to achieve them.

Among the causal mechanisms, not only the material elements have been privileged by the method, but also ideas as central factors in the public policy process. (Lukic; Tomazinl, 2013; Metha, 2011). Beland and Cox (2011) argue that ideas are the primary source of political behavior since they shape goals and strategies and face a problem. Such an approach contrasts with the standard view that individuals have apparent interests to pursue and develop strategies to achieve them.

Thus, process-tracing proposes to know the causal mechanisms and the sequence of events that resulted in a particular outcome. Statistical methods address this path as a black box – correlations are identified but not how the phenomena developed. In this sense, Gomide (2011) highlights that when the research seeks to analyze the motivations underneath a given phenomenon, the sequence and context are fundamental. Therefore, statistical methods per se are insufficient.

Process-tracing operates by breaking down a causal chain into as many events as possible. In short, path dependence-process-tracing compound analyses trace back outcomes origins, identifying contingent events and critical juncture moments, following a causal pathway toward a specific visible result. Tracing back and forth the causal chain considering small details provides additional crucial elements to test hypotheses. Another aspect of this compound methodological approach is that its application must follow a particular temporal sequence to avoid mistaking correlations and causalities. In this sense, time and order matter when those intervening variables are concerned.

Therefore, as in path dependence, the goal of a process-tracing-based analysis is to reach a causal inference.¹⁵⁵ However, in a process-tracing analysis, it is done in the micro-level of the causal chain. In this sense, both methods are not solely interested in describing what happens first, second, and third. They were designed to go further than mapping out the sequence of an event.¹⁵⁶

¹⁵⁵ Process-tracing was initially formulated by George and Bennet (2005) and presented in a book on case studies and theory development in social sciences³⁴. Their point of departure is a need for a strategy to examine whether correlations between independent variables and outcomes identified through statistical methods are causal or not. It is, therefore, an approach to open the black box of causality between Xs and Ys, tracing the mechanisms that produce an outcome.

¹⁵⁶ Path dependence and process-tracing shall not be confused with the discipline of History itself, so History has a different ontological and epistemological basis. Instead, these methods, particularly process-tracing, were designed to promote the engagement of causal chains in rigorous hypothesis tests and, it turns out to be the case, to propose alternative explanations.

As to protocols for the implementation of the analyses to accomplish a result Y, they are as follow:

1) Determine what could have happened between this Y and the X1 and X2 (contingent event and critical juncture, respectively).

2) Collect, based on the assumption that the hypothesis is accurate, enough data to assess each of the minor events (intervening variables) along the way to identify and evaluate the causal process, confirming or denying the hypothesis; and

3) Interpolate the data collected through a technique called data triangulation. This technique must be applied so that the claim reaches some confirmation across multiple different sources of evidence. The idea behind this technique is that a claim does not rely on one solitary piece of evidence but is built up from different angles before being taken as accurate.

All these three forms of process-tracing focus on causal processes and mechanisms. However, as Beach and Pederson (2013) argue, causal processes congruence between variables toward an outcome in the long run. Causal mechanisms compose a system of interacting parts which produce a short-run one. Causal mechanisms are events that change the facts over time. Although they are hardly observable, the process tracing assumes that these mechanisms leave "traits" throughout the process, evidence, which can be observables. The analysis of mechanisms takes place over time, illuminated by the theory that indicates how the process should or could develop in certain situations. Evidence, circumstantial or direct, is information with some inferential value. The evidence is also called causal-process observations. These inferences can be tested to identify the events or processes that happened, the events or processes that followed them, and the causal connection between them (MAHONEY, 2012). This is the method's core assumption. Besides, since process-tracing relies on Bayesian logic, in which a present or absent part plays a determining role, it can compromise the expected outcome if this part is missing.

Falleti (2016) distinguishes between intensive and extensive PT. In the extensive PT, the analysis includes the cause, the intervening mechanisms, and the causal sequence until the results are reached. The only explanatory conditions that are important are analyzed to explain the analyzed effect (and not all aspects of a given cause).

Regardless of the critiques that should not be left aside without being mentioned for the sake of transparency, this work considers the process-tracing a valuable method to the analyses implemented and primarily makes use of that Beach and Pedersen's third form when dealing with causal mechanisms. However, to justify this choice, it is adequate to present in detail the

other two approaches. Thus, if the aim were theory-testing, the process would consist of three steps. Firstly, a theoretical conceptualization of the mechanisms. Secondly, the operationalization of them. Thirdly, a collection of empirical case-specific facts to be analyzed against the background of the theoretical propositions and their operationalization. Notwithstanding, if the aim were theory development, the sequence would be reversed, going from the construction of an empirical case narrative to the identification of mechanisms present in the specific case, and then to the formulation on more general mechanisms at the theoretical level (Beach and Pedersen, 2013). Therefore, the third option, explaining outcome process-tracing, better corresponds to the analyses presented in this study.

However, Beach and Pedersen (2013) remark that when applying the method and using confronted literature does not provide sufficient analytical support, one should take a second step by searching empirical data to identify causal-specific mechanisms and, maybe, reconceptualize the hypotheses. Therefore, regardless of the explaining-outcomes process-tracing approach being an interactive research process, in which initial causal mechanisms can be reconceptualized through additional empirical data until a sufficient explanation is found, this study felt no need for its search to support the analyses and mainly based its arguments on specialized literature.

Some process-tracing streams consider two types of tests for the evidence: one that ascertains the need for a specific explanatory condition in a causal mechanism and another that assesses the sufficiency of an explanatory condition would be the tests called hoop test and smoking gun test:

A hoop test proposes that a given piece of evidence—namely, a specific causal-process observation—must be present for a hypothesis to be valid. Failing a hoop test eliminates a hypothesis but passing a hoop test does not confirm a hypothesis. Smoking gun tests, by contrast, propose that if a given piece of evidence—namely, a specific CPO—is present, then the hypothesis must be valid. Passing a smoking gun test lends decisive support in favor of a hypothesis, though failing a smoking gun test does not eliminate a hypothesis (Mahoney, 2012:571).

The first phase of testing would be to establish inferences that show the existence of cause-and-effect analysis. That is, whether it is possible to identify necessary conditions for the existence of the phenomenon evaluated. Passing this test does not state the hypothesis, but do not pass it shows its fragility. First, one should ask whether there is evidence for the existence of the event. Second, check for inferences, traces that such a cause or result in it to happen. On the other hand, the smoking gun test makes the analogy with a crime, in which the possession

of a gun smoking is a sufficient condition for the crime. However, the absence of such evidence does not invalidate the existence of the phenomenon. Checkel and Bennet (2015) summarize the four types of tests associated with process-tracing (FIGURE 2).

FIGURE 49: Tests – Process-tracing

| | |
|------------------------|---|
| Hoop test | Evidence that is certain, but not unique. Passing this test does not increase a lot of confidence in the hypothesis, but not passing reduces confidence |
| Smoking gun test | Passing this test asserts a hypothesis but failing is not needed to confirm it. |
| Doubly decisive test | Evidence that is not singular and certain, or necessary and sufficient |
| Straw-in-the-wind test | Points out evidence that is neither necessary nor sufficient, but its accumulation may corroborate a hypothesis |

SOURCE: Checkel and Bennet (2015). Author’s adaptation.

The doubly decisive is a final, decisive test. The straw in the wind indicates traces, but they are too fragile elements to sustain any further direct inference. Collier (2001:825) offers an interesting synthesis of the tests and their consequences. (FIGURE 3):

FIGURE 50: Doubly Decisive Test

| | | SUFFICIENT TO ASSERT CAUSAL INFERENCE? | |
|---|----|---|--|
| | | NO | YES |
| | | 1. STRAW IN THE WIND | 3. SMOKING GUN |
| NECESSARY TO ASSERT CAUSAL INFERENCE? | NO | a. Pass: affirms the relevance of the hypothesis, but does not confirm it | a. Pass: confirm the hypothesis |
| | | b. Don't pass: the hypothesis is not eliminated, but a little weakened | b. Don't pass: the hypothesis is not eliminated, but weakened |
| | | c. Implications for rival hypotheses: Pass: weakens them a little Don't pass: strengthens them a little | c. Implications for rival hypotheses: Pass: weakens them a lot Don't pass: strengthens them a little |
| | | 2. HOOP | 3. DOUBLY DECISIVE |

| | | | |
|--|-----|---|--|
| | YES | a. Pass: affirms the relevance of the hypothesis, but does not confirm it | a. Pass: Confirm hypothesis and eliminate others |
| | | b. Don't pass: the hypothesis is eliminated | b. Don't pass: the hypothesis is eliminated |
| | | c. Implications for rival hypotheses: Pass: weakens them a little Don't pass: strengthens them a little | c. Implications for rival hypotheses: pass: eliminates them Don't pass: strengthens them a lot |

SOURCE: Collier (2001:825). Author's adaptation

Based on the suggestions of Falleti (2016) and Collier (2011), to apply the process-tracing method consistently in this study, the followed steps were given, considering the theoretical fundamentals chosen: 1- collecting empirical evidence for the identified phenomena, followed by 2-observing recurrent events of the kind. Then 3- formulating a descriptive diagnosis, followed by 4- proposing an explanatory model. After that, 5- identifying the main intervening variables and causal mechanisms involved, 6- testing pieces of evidence to assert causal inferences through the process tracing tests 1 through 4, and 7 - reviewing the results considering the time limits and the elements included in the analysis.

2) Figures 4 and 5 below present the shares of exports from each sector in the total exports of Brazil and South Korea. These figures show a striking difference between the export structure of the two countries. On the one hand, Brazil could not reduce the share of Primary Products and Resource-Based Manufactures (put together) below 50% of total exports, while Medium-Tech Manufactures and High-Tech Manufactures reached only 25 and 7% of total exports, respectively. On the other hand, South Korea managed to reduce the share of Primary Products and Resource-Based Manufactures (put together) to 8% of total exports, while Medium-Tech Manufactures and High-Tech Manufactures reached 44 and 29% of total exports, respectively.

FIGURE 51: Export shares by technological sectors, 1962-2010 - Brazil

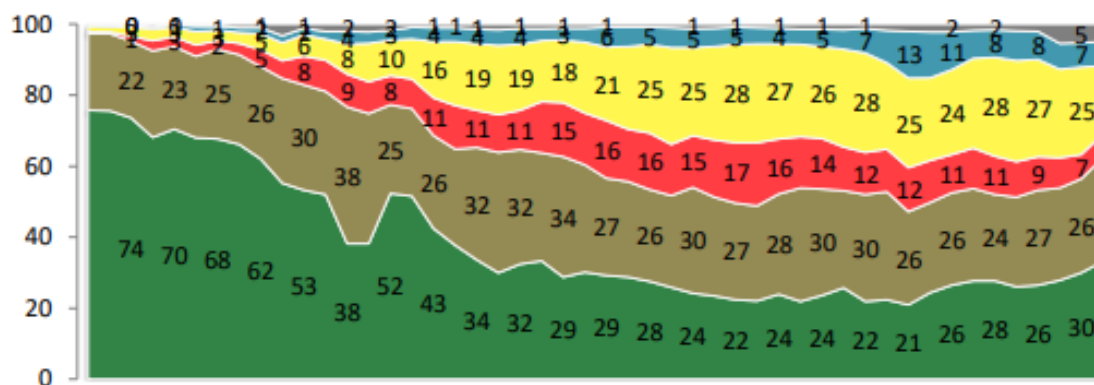
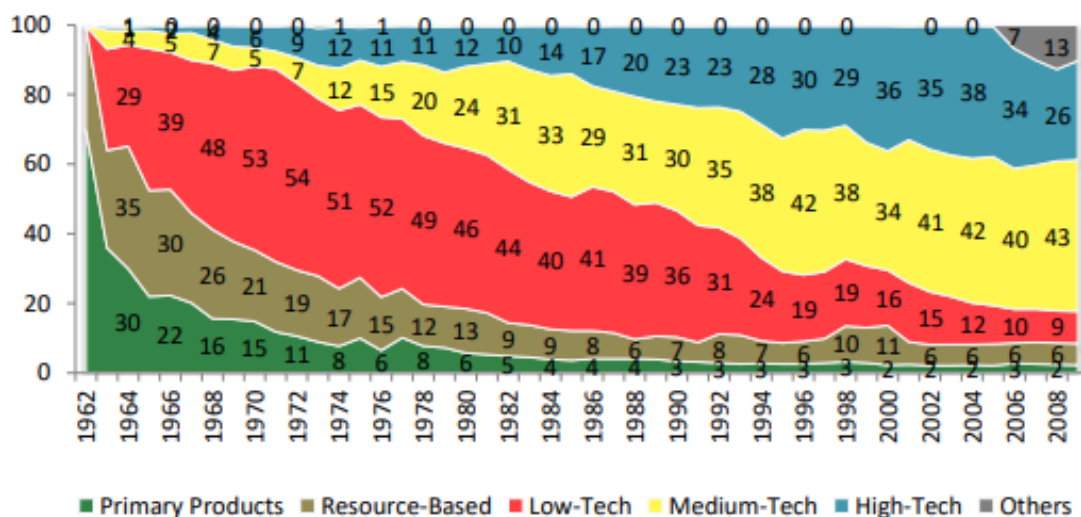


FIGURE 52: Export shares by technological sectors, 1962-2010 – South Korea



Note: SITC Revision 1 (4 digits) was used throughout the whole period.

SOURCE: Britto, Gustavo; Romero João; Freitas Elton; Coelho Clara. The great divide: economic complexity and development paths in Brazil and South Korea. Available at: <http://pdf.blucher.com.br.s3-sa-east-1.amazonaws.com/engineeringproceedings/1enei/078.pdf>

3) National Development Plans – Brazil (1939-1979)

FIGURE 53: National Development Plans – Brazil (1939-1979)

| DATE | PLAN | PRESIDENT |
|----------------------------|---|-------------------------------------|
| (1939-1943) ¹⁵⁷ | Plano Especial de Obras Públicas | Getúlio Vargas |
| (1944-1948) ¹⁵⁸ | Plano de Obras e Equipamentos | Getúlio Vargas /Eurico Gaspar Dutra |
| (1950-1951) ¹⁵⁹ | Plano SALTE | Eurico Gaspar Dutra |
| (1956-1961) ¹⁶⁰ | Plano de Metas | Juscelino Kubitschek |
| (1963-1965) ¹⁶¹ | Plano Trienal de Desenvolvimento Econômico e Social | João Goulart |
| (1964-1966) ¹⁶² | Programa de Ação Econômica do Governo | Humberto de Alencar Castelo Branco |

¹⁵⁷ Brasil, CPDOC-Centro de Pesquisa e Documentação História Contemporânea do. «PLANO ESPECIAL DE OBRAS PUBLICAS E APARELHAMENTO DA DEFESA NACIONAL». CPDOC - Centro de Pesquisa e Documentação de História Contemporânea do Brasil. Accessed November 14, 2021

¹⁵⁸ Regional, Escola Brasileira de Administração Pública Curso de Planejamento; Escolas:EBAPE (1955). «Plano de obras e equipamentos»

¹⁵⁹ Brasil, CPDOC-Centro de Pesquisa e Documentação História Contemporânea do. «PLANO SALTE». CPDOC - Centro de Pesquisa e Documentação de História Contemporânea do Brasil. Accessed November 14, 2021

¹⁶⁰ Brasil, CPDOC-Centro de Pesquisa e Documentação História Contemporânea do. «PROGRAMA DE METAS». CPDOC - Centro de Pesquisa e Documentação de História Contemporânea do Brasil. Accessed November 14, 2021

¹⁶¹ Brasil, CPDOC-Centro de Pesquisa e Documentação História Contemporânea do. «PLANO TRIENAL DE DESENVOLVIMENTO ECONOMICO E SOCIAL». CPDOC - Centro de Pesquisa e Documentação de História Contemporânea do Brasil. Accessed November 14, 2021

¹⁶² Brasil, CPDOC-Centro de Pesquisa e Documentação História Contemporânea do. «PROGRAMA DE ACAO ECONOMICA DO GOVERNO (PAEG)». CPDOC - Centro de Pesquisa e Documentação de História Contemporânea do Brasil. Accessed November 14, 2021

| | | |
|----------------------------|---|--------------------------|
| (1968-1970) ¹⁶³ | Programa Estratégico de Desenvolvimento | Artur da Costa e Silva |
| (1970-1971) ¹⁶⁴ | Programa de Integração Nacional | Emílio Garrastazu Médici |
| (1972-1974) ¹⁶⁵ | I Plano Nacional de Desenvolvimento | Emílio Garrastazu Médici |
| (1975-1979) ¹⁶⁶ | II Plano Nacional de Desenvolvimento | Ernesto Geisel |

SOURCE: Author

3.1. Plano Trienal de Desenvolvimento Econômico e Social:

Proposed by Planning Minister Celso Furtado during João Goulart's government, the THREE-YEAR Plan was a political response to the rise in inflation, which in 1963 was at a rate of 78.4%,¹⁶⁷ and the deterioration of foreign trade. The Plan's objective was to return the GDP growth to 7% of the previous administrations, after the complete failure of João Goulart's initial economic policies, and for the first time to initiate an income distribution plan.

To achieve the performance of 7%, 3.5 trillion cruzeiros were allocated to investments at 1962 prices if this would lead to an increase in per capita income from US\$323.00 in 1962 to USD363.00 by 1965. Surreal 70% industry growth was also expected. For this purpose, sectorial

¹⁶³ Brasil, CPDOC-Centro de Pesquisa e Documentação História Contemporânea do. «PROGRAMA ESTRATEGICO DE DESENVOLVIMENTO (PED)». CPDOC - Centro de Pesquisa e Documentação de História Contemporânea do Brasil. Accessed November 14, 2021

¹⁶⁴ Brasil, CPDOC-Centro de Pesquisa e Documentação História Contemporânea do. «PROGRAMA DE INTEGRACAO NACIONAL (PIN)». CPDOC - Centro de Pesquisa e Documentação de História Contemporânea do Brasil. Accessed November 14, 2021

¹⁶⁵ Brasil, CPDOC-Centro de Pesquisa e Documentação História Contemporânea do. «PLANO NACIONAL DE DESENVOLVIMENTO (PND)». CPDOC - Centro de Pesquisa e Documentação de História Contemporânea do Brasil. Accessed November 14, 2021

¹⁶⁶ <http://www.fgv.br/cpdoc/acervo/dicionarios/verbete-tematico/plano-nacional-de-desenvolvimento-pnd> Accessed November 14, 2021

¹⁶⁷ Available at: <http://almanaque.folha.uol.com.br/dinheiro60.htm> Accessed on 12/15/21

targets were established, of 4.3 million tons of steel ingots by 1965, 190,000 cars and 270,000 trucks, and the installed capacity for generating energy to 7,432.00 kW in 1965.¹⁶⁸

The objectives were contradictory: increase in taxes and tariffs, without counterpart to private investments, downsizing the public machinery with an increase in salaries, raising money from the capital market, without the regulatory counterpart to credit access, and the need for external resources with simultaneous growing hostility to foreign capital.¹⁶⁹

Among the objectives, the following stand out: 1 - Ensure a national income growth rate compatible with the expectations of better living conditions that motivate the Brazilian people. This rate was estimated at 7%, corresponding to a 3.9% decrease in per capita income; 2- Progressively reduce inflationary pressure so that the economic system could recover adequate stability in the price level, whose increase in 1963 should not be higher than half observed in the current year. In 1965, this increase should approach 10%; 3- Create conditions for the results of development to be redistributed among the population, whose real wages should grow at the same rate as the increase in productivity in the economy as a whole, as well as adjustments arising from the rise in the cost of living; 4- Substantially intensify the Government's action in the field of education, scientific and technological research, and public health, in order to ensure a rapid improvement of man as a fact of development and to allow a growing part of the population access to the results of cultural progress; 5- Correctly guide the survey of natural resources and the location of economic activity to develop different areas of the country and reduce regional disparities in living standards, without increasing the social cost of development; 6- Progressively eliminate institutional barriers responsible for the erosion of production factors and the slow assimilation of new techniques in specific productive sectors. Among these institutional obstacles, the current Brazilian agrarian structure stood out, whose transformation will have to be promoted efficiently and quickly; 7- Forward solutions aimed at adequately refinancing the external debt, accumulated mainly in the last decade, which, not being precisely significant, weighed immeasurably on the balance of payments as it was almost entirely in the short and medium-term. It would also be a matter of avoiding the aggravation of the country's debt position abroad during the next three years; 8- Assure the Government a growing unity of

¹⁶⁸ Available at: <https://bibliotecadigital.economia.gov.br/handle/777/15> Accessed on 12/15/21

¹⁶⁹ Available at: https://web.archive.org/web/20070928011243/http://www.nae.gov.br/doc/antiores_1998/4hpecels_ofurtado.pdf Accessed on 12/15/21

command within its sphere of action, submitting the different agencies that made it up to the guidelines of a plan that aimed to achieve the objectives as mentioned earlier simultaneously.

In this way, the Government's action would be exercised through a set of mutually compatible measures oriented towards two objectives: a) ensure that the number of investments required to reach the expected growth rate was carried out; and b) orienting these investments so that the production structure adjusts, with minimal waste of resources, to the evolution of demand and, in particular, to the needs of import substitution determined by the limitations of the capacity to import.

In Furtado), the following excerpt reveals the economist's motivation in formulating the Triennial Plan: "(...) against the monetarist orthodoxy, espoused and imposed by the IMF, that it was possible to conduct the economy with relative stability without imposing the recessive purge." The plan was doomed to failure even before the overthrow of the Goulart government, starting with the failure to reach the 25% inflation target and the 0.6% GDP growth in 1963. In 1964 general inflation closed at 91.8%. The plan adopted ECLAC's structuralist vision. It emphasized import substitution as a means of expanding the industrialization process (Nóbrega, 2005:265 (with adaptations)). Furtado believed that the economic crisis derived from the development model. However, the solution would not lie in the abandonment, but the deepening of the model, with the expansion of the internal market, through agrarian reform and other policies aimed at redistributing income (Furtado, 1962/2011, 1964, 1964/1965).

Despite the failure, the Triennial Plan's formulating situation must be considered for an adequate evaluation of its results: the short period, unreliable information and statistics, lack of Brazilian experience so far with this type of plan, and lack of knowledge of the effects of the adopted policies. The Triennial Plan, from this point of view, was important to improve the country's planning efforts.¹⁷⁰ The Triennial Plan represents the first attempt to address the conflicting demands for development, stability, and grassroots reforms in an integrated and global way. As Ianni points out, the Triennial Plan was the first instrument of global and globalizing economic policy, among all those formulated so far by the various Governments of Brazil. In comparison with the plans, programs, commissions, institutes, departments, and superintendencies created by previous Governments, the Triennial Plan corresponded to a more advanced phase of conceptual and analytical elaboration (Ianni, 1971).

¹⁷⁰ Available at:

<https://web.archive.org/web/20070929021847/http://ssooweb01.univali.br/prof/SUZI%20MARY%20HAMILKA%20PIRANGA/A%20Crise%201962.doc> Accessed on 12/15/21

Nevertheless, planners were careful to formulate a set of short- and medium-term measures to address each of the three major problems of the crisis of the early 1960s. The most immediate task, according to the planners, was “to plan stabilization in conditions of development,” leaving for “a subsequent phase, to plan the intensification of development without compromising stability” (Trienal Plan, 1962:18).

3.2. Programa de Ação Econômica do Governo

The Programa de Ação Econômica do Governo (PAEG) was a set of strategic guidelines, in the field of economic policy, of the first government to emerge from the political-military movement of March 1964, which lasted from November 1964 to March 1967, and was presented by Roberto Campos - head of the Extraordinary Ministry for Economic Planning and Coordination created in May 1964. The notion of planning that guided the PAEG considered that the system would be more efficient of prices based on a complementary State action that reconciled the predominance of free enterprise and market mechanisms with the planning system.¹⁷¹

The PAEG, within its primary purpose of stabilization, development, and democratic reform, presented the following objectives: 1- accelerate the pace of economic development in the country was interrupted in the 1962-1963 biennium; 2- to progressively contain the inflationary process during 1964 and 1965 aiming at a reasonable price equilibrium from 1966 onwards; 3- alleviate sectoral and regional economic unevenness and the tensions created by social imbalances by improving living conditions; 4- to ensure, through the investment policy, productive employment opportunities for the workforce that continually flows into the labor market; and 5- correct the trend towards the uncontrolled balance of payments deficits, which threatens the continuity of the economic development process by periodically strangling the capacity to import.

The instruments privileged by the PAEG to achieve these goals were: 1- A financial policy comprising a policy to reduce the government's cash deficit in order to progressively alleviate the resulting inflationary pressure and to strengthen, by disciplining consumption and public sector transfers and by improving the composition of expenditure, the national saving capacity; 2- a tax policy aimed at strengthening tax collection and combating inflation, correcting incidence distortions, stimulating savings, improving the orientation of private investments and

¹⁷¹ Available at: Kornis, George. «[PROGRAMA DE ACAO ECONOMICA DO GOVERNO \(PAEG\)](#)». CPDOC - Centro de Pesquisa e Documentação de História Contemporânea do Brasil. CPDOC-Centro de Pesquisa e Documentação História Contemporânea do Brasil. Accessed on 12/15/21

reducing regional and sectoral economic inequalities; 3- a monetary policy consistent with the objectives of the progressive stabilization of prices, avoiding a retraction in the level of productive activity and a reduction in the saving capacity of companies; 4- a banking policy aimed at strengthening the credit system, adjusting it to the needs of fighting inflation and stimulating development; 5- a public investment policy aimed at strengthening the country's economic and social infrastructure, creating the external economies necessary for the development of private investments, and alleviating imbalances; 6- an international economic policy comprising an exchange rate and foreign trade policy aimed at diversifying sources of supply and encouraging exports, in order to facilitate the absorption of sectoral focuses of idle capacity and to stimulate economic development, with a relative balance in the balance of long term payments; 7- a policy of consolidating the external debt and restoring the country's credit abroad, in order to alleviate short-term pressures on the balance of payments; and a policy to encourage the inflow of foreign capital and active technical and financial cooperation with international agencies, with other governments, and, in particular, with the multilateral system of the Alliance for Progress, in order to accelerate the rate of economic development; 8- a social productivity policy comprising a wage policy that would ensure the participation of workers in the benefits of economic development but which would allow for the synchronization of the fight against inflation, on the demand and cost side, and which would protect the country's saving capacity; 9- an agricultural policy aimed at increasing production and increasing productivity in agriculture, and improving employment conditions in the rural sector; 10- a housing policy facilitating the acquisition of their own homes by the less favored classes and encouraging the absorption of unskilled labor by the civil construction industry; 11- and an educational policy aimed at expanding opportunities for access to education, rationalizing the use of available resources and adjusting the composition of education to the technical and cultural needs of modern society.¹⁷²

By prioritizing reversing the declining trend of gross domestic product (GDP) manifested in 1962 and 1963, the PAEG proposed a rate of approximately 6% annual growth over the next two years, the same achieved between 1947-1961, creating conditions to raise it later to 7%. The recovery of the economy's growth rates and the parallel creation of employment opportunities for an expanding workforce would make it necessary to capitalize on a set of

¹⁷² Available at: [«Milagre econômico brasileiro – o que é, história, expectativas, decadência»](#). Accessed on 12/15/21

measures capable of strengthening the investment rate, such as¹⁷³ 1- granting of tax incentives to the reinvestment of company profits and the formation of personal savings, and substantial taxation of superfluous consumption; 2- strengthening of private savings through the fight against inflation and the creation of securities instruments that are attractive to small and medium-sized economies; 3- implementation of an incentive policy for the entry of foreign capital, with the aim of financing, through savings from abroad, around 20% of capital formation in the country; 4- implementation of compulsory capitalization schemes by users of public utility services; 5- reinforcement of federal tax revenue and compression of the percentage of its costing and transfer expenses in GDP; 6-compression of the costing deficit of autarchies and mixed economy societies, through a policy of realism in tariffs and costs, and the rationalization of their services; 7- adoption of a salary policy adjusted to the objectives of the disinflationary program and in line with the savings effort necessary to accelerate product growth; and 8- elimination of exchange subsidies on the consumption of imported products.

The recovery of economic growth rates according to the PAEG faced serious obstacles in the uncontrolled deficits in the balance of payments and the acceleration of the inflationary process.¹⁷⁴ The balance of payments restriction to the resumption of growth would be overcome, from the perspective of the PAEG, by a policy of incentives to exports and by an option to promote the internationalization of the Brazilian economy, opening it to foreign capital, integrating it into the international financial circuit and aligning it with the North American Alliance for Progress system. The acceleration of inflation, when intensifying, gave an urgency to the adoption of a price stabilization policy, which thus became an indispensable condition for the resumption of the economy's saving capacity.¹⁷⁵ It is recognized that the PAEG was relatively successful in fighting inflation but was a direct influencer, allowing for the "Economic Miracle" of the 1970s.

3.3. Programa Estratégico de Desenvolvimento

The Programa Estratégico de Desenvolvimento (PED) was an economic program for the 1968-1970 triennium. Prepared under the supervision of Planning Minister Hélio Beltrão and

¹⁷³ Available at: Econômica, Brasil Ministério do Planejamento e Coordenação (maio de 1965). [«Programa de Ação Econômica do Governo 1964-1966 \(2ª edição\)»](#). Biblioteca do Ministério do Planejamento. Accessed on 12/15/21

¹⁷⁴ Available at: Rezende, André Lara (dezembro, 1982). [«A política brasileira de estabilização: 1963/68»](#). Pesquisa e Planejamento Econômico. Accessed on 12/15/21

¹⁷⁵ Available at: Econômica, Brasil Ministério do Planejamento e Coordenação (maio de 1965). [«Programa de Ação Econômica do Governo 1964-1966 \(2ª edição\)»](#). Biblioteca do Ministério do Planejamento. Accessed on 12/15/21

implemented by Finance Minister Antônio Delfim Neto, the plan sought to define a new economic and social development strategy for the country, presenting as fundamental elements the investment program in areas considered strategic, the programming of financial instruments to achieve the new measures and a set of instruments for indirect action on the private sector.¹⁷⁶

The starting point of the PED consisted in the presentation of a diagnosis of the development of the Brazilian economy from the immediate post-war period to 1967, the causes of the economic collapse that occurred from 1961 to 1963, and the sudden oscillations verified in the industrial product from 1964 to 1966 being investigated. Among the causes of the collapse, not only were the characteristics of the growth model in force until 1961, which would not have led to the creation of a mass-market sufficiently broad, capable of maintaining the dynamism of the economy at the time when the process of import substitution slowed down but so did the political-social disorder after the resignation of President Quadros and the inauguration of Goulart's government.¹⁷⁷

The responsibility for the fluctuations would be basically in the process of combating inflation adopted by the government of Castello Branco (1964-1967), which implemented a financial policy that, seeking to balance the Treasury at any cost, ended up unbalancing the companies. In addition, it operated a massive transfer of resources from the private sector to the public sector, having raised the tax burden and the financial costs and prices of goods and services produced by government companies. The restricted credit promoted sudden liquidity redistributions, having reduced the purchasing power of wage earners, and carried out massive issuances of Treasury Bonds with monetary correction, making it even more difficult for companies to obtain foreign capital (Singer, 1975a, 1975b, 1982).

The new development strategy consisted of accelerating and self-sustaining economic development through the consolidation of primary industries (capital goods industry, steel, non-ferrous metals, chemical industry, and iron mining) and reorganization of traditional industries: increase agricultural productivity and modernization of the supply system: strengthening energy, transport, and communications infrastructure, strengthening energy infrastructure, particularly concerning education and housing. The plan defended that only simultaneous action in those four dynamic areas, with adequate emphasis on each one, would mobilize on the

¹⁷⁶ Available at: Brasil, CPDOC-Centro de Pesquisa e Documentação História Contemporânea do. «[PROGRAMA ESTRATEGICO DE DESENVOLVIMENTO \(PED\)](#)». CPDOC - Centro de Pesquisa e Documentação de História Contemporânea do Brasil. Accessed on 12/15/21

¹⁷⁷ Available at: «[IBGE | Biblioteca | Detalhes | Programa Estratégico de Desenvolvimento, 1968-1970 : área estratégica IX - infraestrutura social : educação e recursos humanos / Ministério do Planejamento e Coordenação Geral. ->](#)». biblioteca.ibge.gov.br. Accessed on 12/15/21

demand side and the supply sides the crucial factors for the growth of the product in the order of 6% a year (Baer, 1973; Malan and Bonelli, 1977; Singer, 1975).

3.4. Programa de Integração Nacional

The Programa de Integração Nacional - PIN (National Integration Program) was a geopolitical program created by the Brazilian military government through Decree-Law No. 1106, of July 16, 1970,¹⁷⁸ signed by President Médici. The proposal was based on the use of northeastern labor released by the significant droughts of 1969 and 1970 and on the notion of Amazonian demographic gaps. The mottos "integrate so as not to deliver" and "land without men for men without land" is coined here.

The PIN predicts that one hundred kilometers on each side of the roads to be built should be used for colonization by around 500,000 people to settle 100,000 families. The Transamazon Highway was the main route chosen for colonization.

3.5. Plano Nacional de Desenvolvimento I (PND I)

The Plano Nacional de Desenvolvimento I (First National Development Plan) was established by Law 5,727, enacted on November 4, 1971.¹⁷⁹ At the same time, the Programa Metas e Bases para a Ação de Governo - 1970-1974 (Goals and Bases for Government Action program) were instituted. Conceived by ministers Reis Velloso and Simonsen, it aimed at the economic growth of 8% to 9% per year, annual inflation below 20%, and an increase of USD 100 million in foreign exchange reserves.

The main objective of the PND I was to prepare the necessary infrastructure for the development of Brazil in the following decades, with an emphasis on sectors such as transport and telecommunications, in addition to foreseeing investments in science and technology and the expansion of the naval, steel and petrochemical industries. For that, it articulated State companies, official banks, and other public institutions in elaborating sectorial policies. Major infrastructure works were part of the plan, such as the Itaipu hydroelectric plant, the Rio-Niterói Bridge, and the Transamazônica highway. The period was marked as the high point of state intervention in the Brazilian economy.¹⁸⁰

¹⁷⁸ Available at: BRASIL. [Decreto-Lei Nº 1.106, de 16 de junho de 1970](#). Cria o Programa de Integração Nacional, altera a legislação do imposto de renda das pessoas jurídicas na parte referente a incentivos fiscais e dá outras providências. Brasília, 1970. Accessed on 12/16/21

¹⁷⁹ Available at: [Lei n. 5.727 - de 4 de novembro de 1971](#) - Senado Federal (Brasil) Accessed on 12/16/21

¹⁸⁰ Available at: ALMEIDA, Paulo Roberto. A experiência brasileira em planejamento econômico: uma perspectiva histórica. In James Giacomoni; José Luiz Pagnussat. (Org.). Planejamento e Orçamento Governamental, Coletânea. 1 ed. Brasília: ENAP, v. 1, p. 193-228, 2006. Accessed on 12/16/21

In the first years, the targets proposed by Velloso and Simonsen were reached, with an average growth of 11.2% per year (reaching 13.9% in 1973) and average inflation below 19%. The 1974 oil crisis, however, interrupted the cycle and forced a change of direction in the economy, prompting Geisel, Médici's successor, to launch the II National Development Plan.

In general terms, the objectives of the plan consisted of high investments in infrastructure aimed at modernizing and rebuilding Brazilian institutions, both private and public, and maintaining the pace of growth achieved so far and, for this, the I PND prepared the Program for Promotion of Large National Enterprises, launching a broad call to encourage the participation of the Brazilian business class in selected sectors that reflect on development (Pinto, 2004).

In more specific terms, the plan was attentive to the following issues (Mattos, 2002): 1- placing Brazil, within a generation, in the category of a developed nation; 2- double, by 1980, the per capita income of the country (compared to 1969) 22; 3- expand the GDP from Cr\$ 222.8 billion in 1972 to Cr\$ 314, 5 billion in 1974 (in 1972 prices); 4- investments in the areas of steel, petrochemicals, transport, shipbuilding, electricity, and mining; 5- social priorities: agriculture, health programs, education, basic sanitation and increase in technical-scientific research; 6- expansion of the consumer market and internal savings with resources from PIS and PASEP; 7- increase in the gross investment rate from 17% in 1970 to 19% in 1974.

The general objectives of the I PND were surrounded by complementary goals studied for the sectors and, when private companies did not fulfill them, the State assumed the task of filling these gaps. These measures enabled incredible results for the Brazilian economy: the average growth rate was around 10% per year, and, in 1973, it reached 14%. The issue of inflation, widely understood as a substantial obstacle to the stability of the Brazilian economy, remained stable between 15% and 20% (Sandroni, 2000).

Incentives to industrial firms raised the Brazilian export rate by 174% between 1971-74. With that, despite the oil crisis, Brazil placed itself among the ten largest economies globally and recognized the results of the I PND as excellent (Sandroni, 2000). At the end of 1974, after the three years of execution of the I PND, it was verified that many of the suggested goals had been achieved, primarily related to the economy. Other areas, however, where the degree of execution was low.

3.6. Plano Nacional de Desenvolvimento II

The Plano Nacional de Desenvolvimento II – PND II (Second National Development Plan), took place from 1975 to 1979. By constitutional determination, there was an obligation for every new government to launch a national development plan. PND II was instituted during the government of Geisel and aimed to stimulate the production of primary inputs, capital goods, food, and energy.

The II PND turned out to be the most relevant and known of all regime plans. It responded to the economic crisis resulting from the first oil shock at the end of the so-called "Brazilian economic miracle," of six consecutive years with growth rates above 10% a year. Ministers Reis Velloso, Simonsen, and Severo Gomes were the principal architects of the highly ambitious plan, which aimed to face the problems arising from the oil shock and the resulting international crisis. It was the last major economic plan of the developmental cycle and probably the broadest state intervention program in the country's economy.¹⁸¹

The II PND proposed a structural adjustment in the Brazilian economy. While cyclical adjustments refer to measures to regulate the economy or manage economic policy in the short term through instruments such as the exchange rate, basic interest rate, export and import rules, and taxation, the structural adjustment aims to reorganize the foundations of the economy.

The Plan took hold politically thanks to national finance capital and traditional oligarchies. However, despite the investments made, the II PND did not achieve the success it intended, and Brazil's external debt increased considerably during the Plan's period of validity. One of the guidelines proposed by the PND was to reduce dependence on Arab oil through investment in research, prospecting, exploration, and refinement of oil within Brazil, and investment in alternative energy sources, such as alcohol and nuclear energy. On another front, the Plan sought to dominate the entire industrial production cycle by investing heavily in primary inputs and capital goods.

The success of the II PND depended on a large volume of resources and long-term financing. A large part of this financing was obtained with petrodollars. Another part came from public lines of credit offered by BNDES (formerly BNDE). The Plan was partially successful since Brazil managed to dominate the entire industrial production cycle for the first time in history.

¹⁸¹ Available at: [O Governo Geisel, o II PND e os Economistas](#) por [Guido Mantega](#). [EAESP-FGV](#). Relatório de Pesquisa n. 3, 1997. Accessed on 12/16/21

However, this industrialization came at a high price, which made the foreign debt explode, which ended up resulting in the moratorium in late 1982.¹⁸²

The plan's objectives were to maintain a developmental model¹⁸³ which considered that the preservation of growth rates amidst the unfavorable international context would require severe structural changes such that the primary policy was, admittedly, accelerated growth, emphasizing the creation and promotion of industries of capital goods.

In this way, they aimed to maintain growth of around 10% a year, considering industrial growth as the main factor to achieve this goal, whose desirable rates were around 12% a year. Added to this is the desire to increase the level of exports by around 20% a year, in keeping with the ideals of the import substitution policy and favoring national private companies: II PND guided public support for the national capital to take advantage of opportunities, in line with the objectives of assembling, in the country, competitive industries on an international scale (Pinto, 2004:52).

3.7. 1968-1979: Plans and economy

According to Singer (1975a, 1975b, 1982), the demand for industrial goods was predominantly oriented toward certain branches of industry that responded to the needs of a relatively small elite within an accelerated process of income concentration. In the period 1968-1971, the transport material industry (in which the automobile industry predominated) grew 19.1% per year, the electrical material industry (which includes household appliances) grew 13.9% per year, while the textile industry grew only 7.7% a year, food products 7.5% a year and clothing and footwear 6.8% a year. The data thus showed how the production of non-durable consumer goods purchased by the entire population grew at a much slower pace than the production of durable consumer goods. According to Singer, the latter had even grown in response to a substantial increase in domestic demand, while the former had their growth geared toward exports.

Although Finance Minister Delfim Neto stated that the government's policy was based on two key objectives: the growth of the national product and its better distribution among the

¹⁸² Available at: [Moratória parcial no final de 1982](#), por Luiz Carlos Bresser-Pereira. Publicado originalmente em *Folha de S. Paulo*, 4 de janeiro de 1983. Accessed on 12/16/21

¹⁸³ Froelich (2007:3) elucidates that "The Geisel government gave greater emphasis to the industrialization component, having no problem in adopting the import substitution model, the same one that guided Vargas' industrial policy. It is clear that the speech of Geisel and the military dictatorship was formally against national developmentalism, to which the military attributed the country's ills, such as inflation resulting from poorly planned development and growth at rates incompatible with the country's technical and economic capacity."

population, the implementation of the new model meant, in practice, an increase in inequality in income distribution. The result was an intense concentration of income, which had as a counterpart the generalized compression of the remuneration of most wage earners, in addition to the country's growing indebtedness against the growth of the flow of foreign capital in the form of loans and financing.¹⁸⁴

GDP growth was spearheaded by the durable consumer goods sector (especially automobiles and their supplier industries - rubber, machinery, metal, and fuel - in the budget of the richest) and, to a lesser extent, by capital goods. The investment rate, which stagnated around 15% of GDP in the period 1964-1967, rose to 19% in 1968 and ended in 1973 at just over 20%. Growth between 1968-1973 resumed and complimented the diffusion process of the production and consumption of durable goods, starting with Kubitschek's Plano de Metas. The type of industry built in Brazil during industrialization substitutive import (ISI) led by technobureaucratic authoritarianism grew more quickly under regressive distribution schemes because it sold to the high strata income (Baer, 1973, 1977; Hermann, 2005ab; Malan and Bonelli, 1977; Morley and Smith, 1973; Singer, 1982).

The boom that started in 1968 had as its primary cause a liberal credit policy that found the economy, after several years of recessions, with low-capacity utilization, relatively high unemployment rates, and low cost of low-skilled labor. To this, a strong propensity to consume from high-income strata must be added. The relatively rapid growth was the economy's natural response to such conditions. The demand was predominantly directed to certain branches of

¹⁸⁴ According to Pinho (2016) under these conditions, the change in emphasis on monetary and anti-inflationary policy, introduced by the technocrat and Minister Delfim Neto was reflected in economic activity from 1968, when the GDP grew 9.8% - more than double the previous year. The prominent economic expansion in 1968-1973 in Brazil also reflected the strong inflow of capital into the country: foreign investments direct and currency loans grew continuously over the period (except in 1972, in the first case, and 1973, in the second). The net inflow of foreign direct investment grew from an annual average of 84 million dollars in 1965-1969 for 977 and 944 million in 1973 and 1974, respectively. Even more notable was the behavior of loans. net external assets, which rose from an annual average of \$604 million in 1965-1969 to 4.5 and 6.6 billion in 1973 and 1974. External financing substantially exceeded the deficit in the current account, expanding the country's foreign reserves by an average of US\$400 million in the period 1965-1969 to 6.8 billion in 1973. Compared to the context of 1964-1967, this phase was favored by monetary policy: in real terms, the means of payment grew at an average annual rate of 14% between 1968-1973, compared to 5% in the period 1964-1967, and total credit followed the same trend, with an average real growth of 17% per year between 1968-1973, against 5% in the preceding scenario. Such growth, it is worth noting, was concentrated in credit to the private sector (25% in the 1968-1973, against 7% before), since the maintenance of the fiscal adjustment reduced the absorption of resources by the public sector. Thus, the volume of credit to the private sector (Banco do Brasil plus commercial banks), which had been virtually stationary in real terms, from 65 million in 1951 to 66 million in 1967 (15 years, therefore), it rose to 109 million in 1968, 130 million in 1969, 147 million in 1970, 178 million in 1971, and 224 million in 1972, almost quadrupling, therefore, in five years.

the industry as if it was the result of a process of income concentration that favored the needs of a relatively small elite. In the period 1968/1971, the transport material industry (with the predominance of the automobile) grew 19.1% per year, that of electrical material (appliances household appliances) grew 13.9% per year, while the textile industry grew only 7.7% per year, food products 7.5% per year and clothing and footwear 6.8% per year. The production of durable and luxury consumer goods, mainly purchased by high-income groups, grew at a rate two to three times greater than the production of non-durable goods from consumption, which is acquired by the entire population. In this configuration, several authors criticized the need to produce those goods in a society whose per capita income was lower at USD 500 (Baer, 1973; Malan and Bonelli, 1977; Singer, 1975).

In Brazil after 1964, as other participation channels were gradually closed, informal methods assumed relevance for the economically powerful strata, influencing decisions. From the Costa e Silva government onwards – and especially between 1968 and 1974 – meetings between authorities in the economic and financial area and business groups multiply. In this way, to carry out the accelerated growth goals of the "economic miracle," the authoritarian state-planned capitalist development did it through the institution of bureaucratic agencies¹⁸⁵ dedicated to formulating and implementing economic policies. The elite's bureaucracy and their politics via appointments reverberated industrial development. A paradigmatic case was the National Monetary Council (CMN), created by Law n. 4,595, of 12/31/1964, endowed with vast decision-making, discretionary and insulation capacity. It is a multi-ministerial agency - whose objectives would be to reconcile instruments, resources, and proposals from various sectors of the federal administration -, which emerged as a place of confluence of diverse demands. The CMN structured the economic life of the country and the hierarchy of state economic agencies. Furthermore, it was responsible for managing the "economic miracle" from 1967 to the end of Medici's government (1969-1974.) Moreover, it went beyond its initial scope of action over time, becoming a central body for the regime's support (Vianna, 1987).

¹⁸⁵ Internal imbalances and inequalities of power and influence between bureaucratic agencies are leading institutional elements for economic policies. These inequalities are determined by the degree of proximity of the agency to the core of the power centers of the State, by the relevance of its decision-making area in the context of the development pattern, and by the total sum resources at your disposal. In other words, the global power of an agency and its relative autonomy is determined by three variables; (1) the centrality; (2) the relevance of their decision-making competence for the economy; and, finally, (3) the resources at your disposal. The government agencies of the authoritarian State are heavily clientelist, acting as an intermediary for their clientele and central government (Abranches, 1978).

According to Pinho (2016), another collegiate body that played an essential role in the State's bureaucratic apparatus authoritarian and in the planning of long-term capitalist development was the Interministerial Price Council (CIP). Created in 1968, it replaced the National Stimulus Commission to Price Stabilization (CONEP), which preceded it in the function of containing inflation through price controls. The trajectory of the CIP evolved towards increasing centralization and autonomy in the face of private interests. Given this framework of progressive closure of formal access channels, the articulation of business with the price regulatory agency took on a frankly clientelist character. Thus, there was a predominance of a pattern fragmentation of demands and informal political bargaining mechanisms due to alternative tactics employed by private interests. Agencies such as CMN, CIP, CDI, CONSIDER, and CACEX became the locus of policymaking and organization of interests. The field of interest they respond to is narrow, favoring only the dominant groups. However, they represent, in different ways, the most characteristic movement of the authoritarian State in Brazil: administrative fragmentation and concentration of power.

The “economic miracle” was the apex of the government planning of the national authoritarian development for capitalist development on a wide scale. The strong State induction to business activities provided a vast projection of the segment of public works contractors, in addition to acquisitions, conglomeration, and internationalization of activities in foreign countries. The BNDES acted in support of the consolidation of these conglomerates and encouraged their international operations, with financing for projects of engineering carried out on different continents. Without major conflicts between them, as the enterprises provided services to all, the construction sector saw in this context the possibility of growth and obtaining high rates of profit (Pinho, 2016). The predominance of industrial capital held a special place for entrepreneurs of construction, due to the role of the State apparatus in the implementation of the infrastructure industrial project foreseen in that model. Thus, the dictatorship sowed the formation of large national conglomerates heavy construction monopolists (particularly the four largest companies in the sector, Camargo Corrêa, Andrade Gutierrez, Mendes Júnior, and Norberto Odebrecht) (Campos, 2014).

The strengthening of companies in the sector was due to the strong and clear performance of the representatives of these entrepreneurs in key posts in the state apparatus. There was a permeability from the contractors to the main agencies of the State apparatus, configuring a strong articulation of the holders of these agencies with the contractors and their organizations. From this position of contractors in the administrative framework of the Brazilian State - with

representatives mainly in the Ministries of Transport, Interior and Mines and Energy -, public policies of the dictatorial regime had direct or indirect consequences for construction companies, enabling an intense state favoring to this business segment. Such improvement materialized either through more general measures, such as the wage squeeze and the concession of privileges to companies intensive in the hiring of the labor force, either through specific measures, such as market reserve, exemptions, incentives, subsidies, and a broad increase in resources oriented toward investments in public infrastructure works.

3.8. The Impacts of Bureaucratic-Authoritarian Government Planning Policies on Income Distribution

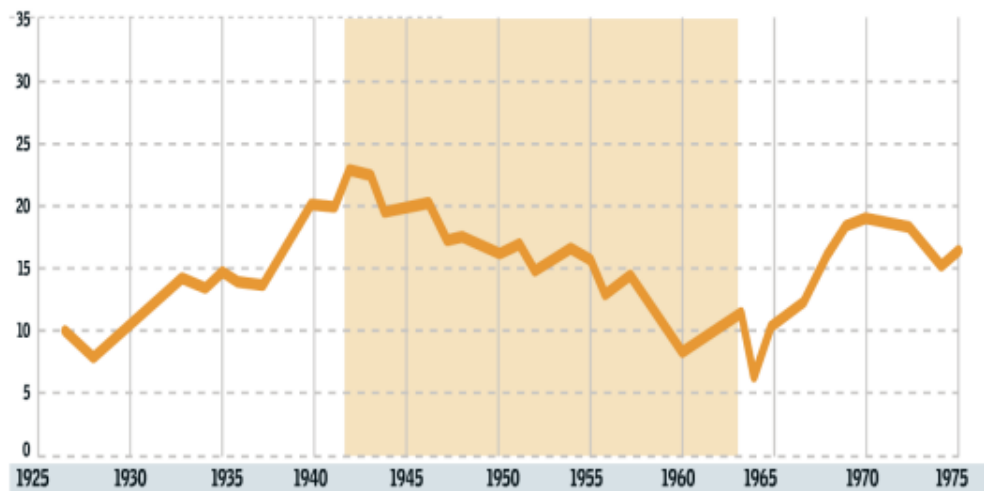
Since the release of preliminary data from the 1970 Demographic Census, a spectrum has seemed to haunt the “Brazilian model:” the increase in inequality in income distribution during the 1960s, showing a weakness in the solid economic results released by the government (Pinho, 2016). About the degree increase of income concentration, we observe in Table 37 that both indices (Gini and Theil) point for a greater regressiveness of the distribution. Figure 54 points out the income concentration. This is even clearer if we consider the staff with zero income. The Gini index goes from 0.55 to 0.60, and the Theil index goes from 0.64 to 0.72 (Mattos, Bastos et al., 2015).

TABLE 33: Brazil - Concentration index variation 1960 and 1970.

| INDEXES | 1960 | 1970 |
|---------|--------|--------|
| Gini | 0.4999 | 0.5684 |
| Gini* | 0.5570 | 0,6049 |
| THEIL | 0.4694 | 0.5802 |
| THEIL* | 0.6442 | 0.7267 |

SOURCE: Langoni (1973); Mattos e Barone (2015). Includes zero income. (Author’s adaptation).

FIGURE 54: Brazil - Income concentration 1925-1975 reflected in the fraction income of the wealthiest 1% (in percentage).



SOURCE: Pedro Souza/IPEA Valor Econômico (12/23/2015).

3.9. Comparative Table Plans Programed GDP increase and outcome

TABLE 34: Brazil - Comparative Table Plans Programed GDP increase and outcome.

| PLAN | YEAR | PROGRAMED GDP INCREASE (%) | GDP OUTCOME (%) | INFLATION RATE (%) |
|---|------|----------------------------|-----------------|--------------------|
| Plano Trienal de Desenvolvimento Econômico e Social (1963-1965) | 1963 | 7 | 0.6 | 78.4 |
| | 1964 | DISCONTINUED | 3.4 | 89.9 |
| | 1965 | DISCONTINUED | 2.4 | 34.24 |
| Programa de Ação Econômica do Governo (1964-1966) | 1964 | 6 | 3.4 | 89.9 |
| | 1965 | 6 | 2.4 | 34.24 |
| | 1966 | 7 | 6.7 | 39.12 |
| Decennial Plan | 1967 | NOT IMPLEMENTED | 4.2 | 25.01 |
| Programa Estratégico de Desenvolvimento | 1968 | NO GOAL ESTABLISHED | 9.8 | 25.49 |
| | 1969 | NO GOAL ESTABLISHED | 9.5 | 19.31 |
| | 1970 | NO GOAL ESTABLISHED | 10.4 | 19.31 |
| Programa de Integração Nacional | 1970 | NO GOAL ESTABLISHED | 10.4 | 19.31 |
| | 1971 | NO GOAL ESTABLISHED | 11.34 | 19.46 |
| PND I | 1972 | 8 a 10 | 11.94 | 15.70 |
| | 1973 | 8 a 10 | 13.97 | 15.57 |
| | 1974 | 8 a 10 | 8.15 | 34.55 |
| PND II | 1975 | 8 a 10 | 5.17 | 34.55 |

| | | | | |
|--|------|--------|-------|-------|
| | 1976 | 8 a 10 | 10.26 | 46.27 |
| | 1977 | 8 a 10 | 4.93 | 38.78 |
| | 1978 | 8 a 10 | 4.97 | 40.84 |
| | 1979 | 8 a 10 | 6.76 | 77.21 |

SOURCE: <http://almanaque.folha.uol.com.br/dinheiro80.htm>

<https://infograficos.gazetadopovo.com.br/economia/pib-do-brasil/> (Author's elaboration and adaptation).

4) State-owned companies of the Federal Government (State-owned companies of the Federal Government, according to the strengths in direct and indirect control) created during the dictatorial period of 1964-1985).

| COMPANY'S NAME | ACRONYM | UNDER CONTROL OF | CREATION | CONSTITUTION | TRANSFER |
|---|----------|---|----------|--------------|----------|
| Companhia Brasileira de Trens Urbanos | CBTU | Ministério do Desenvolvimento Regional | 1984 | 1984 | - |
| Companhia de Desenvolvimento dos Vales do São Francisco e do Parnaíba | CODEVASF | Ministério do Desenvolvimento Regional | 1974 | 1974 | - |
| Companhia de Pesquisa de Recursos Minerais | CPRM | Ministério de Minas e Energia | 1969 | 1970 | - |
| Empresa Brasileira de Pesquisa Agropecuária | EMBRAPA | Ministério da Agricultura, Pecuária e Abastecimento | 1972 | 1975 | - |
| Empresa de Trens Urbanos de Porto Alegre S.A. | TRENSURB | Ministério do Desenvolvimento Regional | 1980 | 1980 | - |
| Financiadora de Estudos e Projetos | FINEP | Ministério da Ciência, Tecnologia e Inovações | 1967 | 1967 | - |
| Hospital de Clínicas de Porto Alegre | HCPA | Ministério da Educação | 1970 | 1971 | - |
| Indústria de Material Bélico do Brasil | IMBEL | Ministério da Defesa | 1975 | 1976 | - |
| Nuclebrás Equipamentos Pesados S.A. | NUCLEP | Ministério da Ciência, Tecnologia e Inovações | 1975 | 1975 | - |
| Banco Nacional de Desenvolvimento Econômico e | BNDES | Ministério da Economia | 1952 | 1971 | - |

| | | | | | |
|--|-------------|---|------|------|------|
| Social (Setor Financeiro) | | | | | |
| BB Tecnologia e Serviços (Setor Produtivo Estatal) | BBTS | Ministério da Economia | 1974 | 1974 | - |
| Caixa Econômica Federal (Grupo C.E.F.) | CEF | Ministério da Economia | 1861 | 1969 | - |
| Casa da Moeda do Brasil (Setor Produtivo Estatal) | CMB | Ministério da Economia | 1973 | 1973 | - |
| Centrais de Abastecimento de Minas Gerais S.A. (Setor Produtivo Estatal) | CEASAMIN AS | Ministério da Agricultura, Pecuária e Abastecimento | 1970 | 1971 | 2000 |
| Companhia das Docas do Estado da Bahia (Setor Produtivo Estatal) | CODEBA | Secretaria de Portos | 1975 | 1977 | - |
| Companhia de Entrepósitos e Armazéns Gerais de São Paulo (Setor Produtivo Estatal) | CEAGESP | Ministério da Economia | 1969 | 1969 | 1998 |
| Companhia Docas do Ceará (Setor Produtivo Estatal) | CDC | Secretaria de Portos | 1964 | 1964 | - |
| Companhia Docas do Espírito Santo (Setor Produtivo Estatal) | CODESA | Secretaria de Portos | 1982 | 1983 | - |
| Companhia Docas do Estado de São Paulo (Setor Produtivo Estatal) | CODESP | Secretaria de Portos | 1980 | 1980 | - |
| Companhia Docas do Pará (Setor Produtivo Estatal) | CDP | Secretaria de Portos | 1967 | 1967 | - |
| Companhia Docas do Rio de Janeiro (Setor Produtivo Estatal) | CDRJ | Secretaria de Portos | 1967 | 1973 | - |
| Companhia Docas do Rio Grande do Norte (Setor Produtivo Estatal) | CODERN | Secretaria de Portos | 1969 | 1970 | - |
| Empresa Brasileira de Correios e Telégrafos (Setor Produtivo Estatal) | ECT | Ministério das Comunicações | 1969 | 1969 | - |

| | | | | | |
|---|------------|---|------|------|------|
| Empresa Brasileira de Infraestrutura Aeroportuária (Setor Produtivo Estatal) | INFRAERO | Secretaria de Aviação Civil | 1972 | 1973 | 2003 |
| Empresa de Tecnologia e Informações da Previdência Social (Setor Produtivo Estatal) | DATAPREV | Ministério da Economia | 1974 | 1975 | - |
| Empresa Gerencial de Projetos Navais (Setor Produtivo Estatal) | EMGEPRO N | Ministério da Defesa | 1982 | 1982 | - |
| Financiadora de Estudos e Projetos (Setor Financeiro) | FINEP | Ministério da Ciência, Tecnologia e Inovações | 1967 | 1967 | - |
| Serviço Federal de Processamento de Dados (Setor Produtivo Estatal) | SERPRO | Ministério da Economia | 1964 | 1995 | - |
| Telecomunicações Brasileiras S.A. (Grupo TELEBRAS) | TELEBRÁS | Ministério das Comunicações | 1972 | 1972 | - |
| Banco do Brasil Agência Viena/Áustria (Grupo Banco do Brasil) | BBAG | Ministério da Economia | 1980 | 1980 | - |
| BB Leasing Company Limited - Ilhas Cayman (Grupo Banco do Brasil) | BB LEASING | Ministério da Economia | 1981 | 1981 | - |
| BESC Distribuidora de Títulos e Valores Mobiliários S.A. (Grupo Banco do Brasil) | BESCVAl | Ministério da Economia | 1971 | 1971 | 2000 |
| Brasílian American Merchant Bank (Grupo Banco do Brasil) | BAMB | Ministério da Economia | 1973 | 1974 | - |
| Agência Especial de Financiamento Industrial (Grupo BNDES) | FINAME | Ministério da Economia | 1966 | 1971 | - |

| | | | | | |
|---|---------------|-------------------------------|------|------|------|
| BNDES Participações S.A. (Grupo BNDES) | BNDESPAR | Ministério da Economia | 1982 | 1982 | - |
| Centrais Elétricas do Norte do Brasil S.A. (Grupo ELETROBRAS) | ELETRONORTE | Ministério de Minas e Energia | 1973 | 1973 | - |
| Eletrobras Termonuclear S.A. (Grupo ELETROBRAS) | ELETRONUCLEAR | Ministério de Minas e Energia | 1975 | 1975 | - |
| ELETROSUL Centrais Elétricas S.A. (Grupo ELETROBRAS) | ELETROSUL | Ministério de Minas e Energia | 1968 | 1969 | - |
| Braspetro Oil Services Company (Grupo BRASPETRO) | BRASOIL | Ministério de Minas e Energia | 1977 | 1977 | - |
| Petrobras Gás S.A. (Grupo GASPETRO) | GASPETRO | Ministério de Minas e Energia | 1974 | 1976 | - |
| Telecomunicações de São Paulo (Privatized. Its current successor is the private company Telefônica Brasil (it uses the name Vivo as its trademark)) | TELESP | Ministério das Comunicações | 1973 | 1973 | - |
| Indústria Carboquímica Catarinense S.A. (Settled at meeting) | ICC | Ministério de Minas e Energia | 1969 | 1969 | - |
| Petrobras Colombia Limited | PEC | Ministério de Minas e Energia | 1984 | 1984 | - |
| BBTUR Viagens e Turismo Ltda. (Settled) | BB TURISMO | Ministério da Economia | 1982 | 1982 | - |
| Centro de Pesquisas de Energia Elétrica (Incorporated by Eletrobras) | CEPEL | Ministério de Minas e Energia | 1974 | 1974 | - |
| Centrais Elétricas de Rondônia S.A. (Sold) | CERON | Ministério de Minas e Energia | 1968 | 1969 | 1998 |
| Companhia de Eletricidade do Acre (Sold) | ELETROACRE | Ministério de Minas e Energia | 1968 | 1968 | 1998 |
| Petrobras Distribuidora S.A. | BR | Ministério de Minas e Energia | 1971 | 1971 | - |

| | | | | | |
|---------------------------------------|-------------------|-------------------------------|------|------|---|
| Stratura Asfaltos S.A. (Sold) | STRATURA ASFALTOS | Ministério de Minas e Energia | 1972 | 1972 | - |
| Companhia Docas do Maranhão (Settled) | CODOMAR | Ministério da Infraestrutura | 1973 | 1974 | - |

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