

Victor Krasilshchikov

The Rise and Decline of Catching up Development

An Experience of Russia and
Latin America with Implications
for Asian 'Tigers'



second edition

*The Rise and Decline of Catching up Development
An Experience of Russia and Latin America with Implications for Asian 'Tigers'*

by Victor Krasilshchikov

Second edition, July 2008

ISBN: **Pending**

Biblioteca Nacional de España Reg. No.: Pending

Published by

Entelequia. Revista Interdisciplinar (grupo Eumed.net)

available at <http://www.eumed.net/entelequia/en.lib.php?a=b008>

Copyright belongs to its own author,

according to Creative Commons license: *Attribution-NonCommercial-NoDerivs 2.5*

THE RISE AND DECLINE OF CATCHING UP DEVELOPMENT (The Experience of Russia and Latin America with Implications for the Asian 'Tigers')

2nd edition

By Victor Krasilshchikov

About the Author: Victor Krasilshchikov (Krasilchtchikov) was born in Moscow on November 25, 1952. He graduated from the economic faculty of Moscow State University. He obtained the degrees of Ph.D. (1982) and Dr. of Sciences (2002) in economics. He works at the Centre for Development Studies, Institute of World Economy and International Relations (IMEMO), Russian Academy of Sciences. He is convener of the working group "Transformations in the World System – Comparative Studies in Development" of European Association of Development Research and Training Institutes (EADI – www.eadi.org) and author of three books (in Russian) and many articles (in Russian, English, and Spanish).

2008



C O N T E N T S

Abbreviations	5
Preface and Acknowledgements	7

PART 1. XX CENTURY CAPITALISM AND THE DESTINY OF LATECOMERS

1. The Echelons of the Capitalist Development and 'the Managerial Revolution'	13
2. Russia and Latin America at the Start of the Great Experiment	33
3. Realities and Illusions of the Successful Development, or Emergence of the Modernisation Trap	59
4. The Crisis of Statism and Neo-liberal Reaction	95
5. Latin America: The Limits of Successful Neo-liberal Reforms, or Neo-liberalism as Limit to Development	119
6. The Case of Russia: Decline as Pattern of Development in the Conditions of Globalisation	149

PART 2. THE ASIAN 'TIGERS' FROM SUNRISE TO AFTERNOON

7. The Background and World Context of Wonderful Transformation of 'Kittens' into 'Tigers'	179
8. Conservative Modernisation and the Developmental State in Asia: Confucius and Lenin <i>versus</i> Weber	197
9. Internal Mechanisms of the Last Miracle in the XX Century	223
10. Great Achievements as Premises of the Crisis, or Miracle as Background of Debacle	247
11. After the Crisis: What Did Happen and What Was Done to Prevent New Storms?	279
12. Beyond a Realm of Economy	307
CONCLUDING REMARKS	329
Bibliography	337

Abbreviations

- BID – the Spanish abbreviation of IADB (Banco Interamericano de Desarrollo)
- CEPAL – the Spanish abbreviation of ECLA(C) (Comisión Económica para la América Latina y el Caribe).
- CIS – the Commonwealth of Independent States (the Community of republics of the former Soviet Union, except the Baltic states).
- COMECON – the Council for the Mutual Economic Aid (the economic organisation of the former 'socialist' countries belonging to the Soviet block).
- CPSU – the Communist Party of the Soviet Union
- E/SEA – East and Southeast Asia(n)
- EA – East Asia(n)
- ECLA (ECLAC) – the United Nations Commission for Latin America (and the Caribbean).
- EU – European Union
- FDI – foreign direct investment(s)
- GDP – gross domestic product
- GNP – gross national product
- IADB – Inter-American Development Bank
- IFC – International Financial Corporation (affiliated with the World Bank)
- IMF – International Monetary Fund
- ISI – Import substitution industrialisation
- LA – Latin America
- NAFTA – North American Free Trade Agreement (Canada, Mexico, and the US).
- NGO (NGOs) – Non-government organisation(s)
- NIC – Newly industrialising (industrialised) countries

- NIE – Newly industrialising (industrialised) economies
NU – Naciones Unidas (UN in Spanish)
OECD – the Organisation for Economic Co-operation and
Development
PPP – parity of purchasing power (of currencies)
R & D – research and development (scientific-technological)
SEA – Southeast Asia(n)
S & T – science and technology(ies), scientific and technological
TNB – Transnational banks
TNC – Transnational corporations
UN – United Nations (Organisation)
US – the United States of America
USSR – Union of the Soviet Socialist Republics
WTO – World Trade Organisation

Preface and Acknowledgements

A stay in India not only excites interest to fascinating sights and romantic adventures but also is very favourable for writing of scientific papers and books. My preceding book, "Catching Up with the Past Century", was written to 50% during my stay in India in 1996, when I delivered a series of lectures under the general title "Russian Development in the XX Century in the Context of World Modernisations" for students and staff of the Centre for Russian, CIS, and East European Studies, a subunit of the School of International Studies, Jawaharlal Nehru University. Then I used the drafts of lectures prepared previously in English writing the book in Russian.

The present book has begun to be written, directly in English, in India, too, during my three months stay in the context of my position as visiting fellow at the Maulana Abul Kalam Azad Institute of Asian Studies, Kolkata (Calcutta) in January – March 2004. It deals with the general problems of catching up development that have been considered through lenses of the concrete cases studies of the former Soviet Union and post-Soviet Russia, Latin American and East Asian countries. The book is subdivided into two parts. In the first part, I consider some general problems of development in the past Century and draw attention to the cases of Russia and Latin American countries. The second part is devoted to the NICs of E/SEA.

One of the questions, which inevitably emerge in the process of studying the called three regions' catching up development, is the following: why the models of development that enabled to overcome a social-economic backwardness over almost a half of the Century, failed in the end of the XX Century? Indeed, the regions chosen as subjects of analysis were 'heroes' of the catching up development in

the past Century. There were periods, when each of these 'heroes' was apparently reaching the strategic goal, namely, attaining the level of social-economic and technological development of the West. However, then something wrong suddenly occurred to them, and the distance between 'catchers up' and the world economic leaders widened again, depreciating their colossal efforts and expenditures aimed at realising 'their historic dream'. All three regions achieved undeniable accomplishments in the process of industrialisation, but in the last quarter of the XX Century suffered deep crises and appeared as victims of new, post-industrial trends in the West, although, of course, to different degrees.

In particular, the 'socialist construction' in the former Soviet Union allowed the Big Russia to become the second super-power, which was considered as a pattern of successful development for many peripheral and semi-peripheral countries. Nevertheless, the Soviet Union collapsed, and today 'flotsam and jetsam' of the former second super-power drift to a periphery of the world. Moreover, some parts of the former USSR are now under jeopardy to fall out of the world system altogether, joining *the global zone of exclusion* from development.

Since the mid-30s of the XX Century, several Latin American countries attempted to win in their 'second war for liberation' – in their struggle for deliverance from the economic dependence on the West through an accelerated industrialisation under the strong state guidance. An illusion that they were capturing 'fortune for tail' and joining a group of the developed countries arose for no one time, but it was only an illusion, even if previously it had some real foundations. Despite of the growth of Latin American industry, the economic dependence on the West did not weaken but had been strengthening, and, as a consequence, a vulnerability of the continent to fluctuations of the world market did not decrease while

a qualitative gap between Latin America and the world leaders had not been narrowed. Such a race continued until the 1980s when the deep crisis overpowered the continent. Illusions were dissipated, and a serious revision of the development practice and theory had been set up on the agenda.

Over forty years, until the beginning of the 1990s, Japan had a very fast rate of the economic growth, but since 1991, the Japanese economy suffered stagnation, and its recent revival does not allow us to speak about a stable resumption of growth after the long period of stagnation.

At last, the crisis of 1997-98 undermined a widespread belief in the East Asian 'miracle', a rapid recuperation after the crisis notwithstanding.

Was it occasional coincidence, which such seemingly different events as the disintegration of the USSR, a series of crises in Latin America in the 1980s-90s, a stagnation of Japan, and the East Asian financial crisis occurred almost simultaneously? Did these events have some common features and even common foundations?

In my opinion, there were, at least three common features of development of the three regions under our consideration, which would allow us to treat the called above phenomena as **different expressions of a single process**. These features were the following:

- 1) the character of the catching up development itself;
- 2) the situation of the modernisation trap, in particular, as a consequence of conservative modernisation;
- 3) the inability to respond to the new challenges at the end of the XX Century.

Neither Russia, nor Latin America, nor E/SEA demonstrated a capability to enter a post-industrial era without more or less serious troubles and losses. Moreover, strictly speaking, they entered this era, although each region to a proper degree, but rather in a negative, destructive sense. In other words, their losses by its scale exceeded their benefits and gains, particularly, in the case of Russia and, a little less, the Latin American countries.

The prominent French historian Fernand Braudel noted in his famous book about material civilisation and capitalism that sometimes Madam History deals out cards to the social players, and new deals can be held but they are very rare. [Braudel F., 1979: 415; Braudel F., 1992: 466].¹ One gets trumps, and even trump aces. Will Asia take out the social-economic and technological trumps of the XXI Century? Will the world race game be gainful for the East in the future, as Andre Gunder Frank predicted when he wrote that “[T]he contemporary economic expansion in East Asia may spell the beginnings of a return of Asia to a leading role in the world economy”? [Frank A.G., 2005: 217]. Can Asia become a ‘globalisation-maker’ but not a ‘globalisation-taker’, or will it be obliged to abandon their pretensions to a new role in the world? In my opinion, today it is still too early to give definite replies to these questions. By the way, it is not a coincidence that the title of the second part of the book contains the word ‘afternoon’ to the contrary widespread habit to use ‘twilight’ or ‘sunset’, particularly, in combination with ‘sunrise’ (‘from sunrise to twilight’), because, the regional development after the crisis of 1997-1998, when the ‘miracle’ turned into ‘debacle’, does not give foundations to assert that the ‘tigers’ are declining. ‘A window of opportunities’ is not yet closed, and the trajectory of the region is, therefore, not yet

¹ “Although it would not be true to say that one is dealt a hand for good, new deals are rare and bring little advancement.” [Braudel F., 1992: 466].

ascertained. May be, the 'tigers' will find resources, 'tangible' and, mostly, 'intangible' as well, to change their catching up model for another one of self-sustaining development, perhaps, not as fascinating as the previous in a quantitative respect, but stable and effective, aimed at the improvement of the life's quality instead of the growth as itself. East Asia as a whole (as well as India) has good chances for the great success, but we must not forget that an opportunity is not yet a reality.

In the book, I use term 'modernisation'. It does not mean that I am going to revive the conception of modernisation, widespread in the 1950s, 1960s, and in the beginning of the 1970s. This term corresponded, to a definite degree, to the processes that took place forty or fifty years ago, mainly in the bygone Second and Third Worlds, and had been conceived in a manner adequate to that time. Today, the concept of modernisation looks obsolete, and it is hardly reasonable to pretend to be awarded the Nobel Prize for the revival of historical and conceptual 'deceased' terms. Nevertheless, the mentioned term can be used in the quality of a synonym of such concepts as 'development'², 'capitalist development' or 'industrialisation', though this use is not correct in some respects.

Certainly, I could not consider all significant problems of E/SEA development in the light of the Russian and Latin American experience. And let the readers treat this book only a moderate contribution to a discussion aimed at better understanding of our contradictory, conflictual world.

Concluding the preface, I would like to thank all persons, who helped me, directly or indirectly, to write this book: professor Devendra Kaushik, formerly chairman of the Executive Council of Maulana Abul Kalam Azad Institute of Asian Studies, professor

² Evidently, a sense of 'development' is much broader than one of 'modernisation' or 'capitalist development'.

Mahavir Singh, director of the same institute in 2001-2005, and all their colleagues, whose hospitality and warmth facilitated my work in Kolkata, His Excellency Mr. Michael Tay Cheow Ann, Ambassador of the Republic of Singapore to Russia, and Mr. Borg Tsien Tham, First Secretary of the Singapore embassy in Moscow, who kindly gave me the opportunity to use the embassy's library, Dr. Andrey Foursov, co-director of the Centre for global and comparative studies, Russian State University for Humanities, Dr. Jørgen Delman, director, Inga-Lill Blomkvist, librarian, and their colleagues of the Nordic Institute of Asian Studies, Copenhagen, Dr. Daniel Fleming, Dr. Kristen Nordhaug and their colleagues from the Department of Geography and International Development Studies, Roskilde University, Dr. Johannes Dragsbaek Schmidt, head of the Centre for Development and International Relations Studies, Aalborg University, Valentina Hippolitova and Vera Lukonina, librarians of the Institute for Latin American Studies (Russian Academy of Sciences), Moscow, who unselfishly sought the required books in the conditions of permanent repair for the library, Dr. Arno Tausch, Innsbruck University and Counsellor in the Ministry of Social Affairs and Consumer Protection, Austria, Dr. Andrea Komlosy, Dr. Martina Kaller-Dietrich, and Dr. Gerhard Drekonja, professors of the University of Vienna, Dr. Imre Lévai, senior researcher of the Institute for Political Studies, Budapest, and all other persons, who found time to discuss problems considered in the book with me.

PART 1. THE RISE AND DECLINE OF THE XX CENTURY CAPITALISM: THE DESTINY OF THE LATECOMERS

1. Echelons of the Capitalist Development and 'the Managerial Revolution'

The industrial catching up development of any region beyond the civilisation boundaries of West Europe and North America, whether it is Big Russia, Latin America, or East Asia, has to be treated as the derivative process of endogenous modernisation in the West, the existence of some internal premises of their proper development notwithstanding. If we approach the study of Russian, Latin American, or Asian industrial modernisation, we have to take into account that the industrial system of production in any country is a result of the western direct and indirect impact on non-western societies. In other words, ultimately, it is a consequence of modernisations initiated by the West.

But how can we define the modernisation process?

As Goh Keng Swee, one of the Singapore miracle's creators wrote once, "modernization is like the elephant, difficult to define but easy to recognize when one sees the beast." [*Goh Keng Swee*, 1995a: 1]. Indeed, modernisation is such a multi-dimensional process of the social transformation, which extends to various spheres of the social life that it is very difficult to find an appropriate definition of such a transformation focusing exclusively on its one or another feature. Even the first theoreticians of modernisation, who elaborated their conceptions in the late 50s and the 60s of the past Century (C. Black, S.N. Eisenstadt, G. Germani, M. Levy and others) being

biased, to more or less degree, to technological-economic determinism and the sociology of Talcott Parsons,³ did not ignore the fact of the multidimensionality of the modernisation process. However, all character features of the latter, whether they were concerned with the economic, social, or political and cultural sphere as well, had the common foundation, namely, the undeniable fact that the motherland of this process was West Europe, where the seeds of *modernity* culture had sprung still in the Renaissance and Reformation epoch.

The culture of modernity was essential for the modernisation process (Alain Touraine defined modernisation as modernity in action [Touraine A., 1992: 44]). It presupposed, in particular, an active relation of man to an environment and his domination over nature by means of rational cognition and production of necessary material tools, an economic expansion, permanent changes in all spheres of society and an adherence of people to idea of a one-linear movement 'from the good to the best'. At last (but, of course, not least!), modernity meant a treatment of everyone's personality as the highest value and proclaimed the principle of individual freedom in unity with social equity.

The countries, where the social agent of development was the civil society, and *modernity* sprang from everyday life, made up the first echelon (the core) of the world modernisation and the capitalist world-system.⁴ Great Britain, France, Holland, Belgium, Northern Germany, at last the USA, Switzerland and some others belonged to this echelon. Even such nations as Spain, Italy, Sweden, Finland that approached to real industrial modernisation with notable retardation, in the end of the XIX – in the beginning of the XX Century, could be

³ T. Parsons treated the process of modernisation as transition from archaic, traditional to modern, industrial society. (See, for example: [Parsons T., 1977: 25].)

⁴ About the echelons of the world capitalist development, see: [Khoros V., Pantin I., Plimak Ye., 1988: 17-31].

considered as the first echelon countries, too, due to some essential elements of modernity in their societies' everyday life and culture.

The character feature of the first echelon countries' development was that the human, social, economic, political, cultural, juridical aspects of their modernisation had been developed more or less simultaneously, in tight interconnection with each other arising from below. In other words, it was endogenous modernisation, although it did not exclude very acute social-economic contradictions and political conflicts.

Such countries as East Germany (partly), Poland, Hungary, and other East European nations belonged historically to the second echelon of modernisation. In addition, it may be possible, from the historical point of view, to include Turkey, Russia, and Japan as well as some Latin American countries, mainly the most developed of them, into the same group of countries, too. Their modernisation was semi-endogenous and semi-exogenous. There were some real preconditions of the capitalist development (market economy, elements of individualism in culture, and so on) that gradually matured in the depths of their societies, but they had been restrained by autocratic power, relics of the pre-capitalist relationships, traditions or other factors of social-cultural character. (Here I do not consider such well known historical phenomena as the restoration of serfdom in Prussia and some other East European countries, which was a consequence of the rise of capitalism in the western part of the continent. This issue has to be subject matter of distinctive, mainly historical, studies.)

Obviously, it impeded capitalist development, which took truncated forms and blocked the process of complete, all-sided modernisation. In particular, one of the characters inherent in the capitalist development of the second echelon's countries was a weakness or even absence of the matured civil society's structures.

It meant, consequently that active, strong social agents of modernisation (*prima facie*, strata of entrepreneurs, intellectuals, skilled labourers, etc.) could not arise in full measure, and their deficiency or weakness should be compensated by the state. The latter and/or the advanced part of ruling class (stratum) became the main agent of modernisation in the second echelon's countries.⁵ Actually, the state initiated a 'revolution from above', a series of reforms aimed at reducing of economic, technical, and, to lesser degree, social backwardness, comparing to the advanced powers. Such important factors as the political independence of the second echelon's countries facilitated a solution of this strategic task.

In the political respect, this independence essentially distinguished the second echelon of the world modernisations from the third one. Another principal difference between them consisted in the character of the modernising processes in the countries that belonged to the latter. Their modernisations were exogenous from the beginning. They had been results of these countries' involvement, in many cases, rather urged and compulsive than voluntary, into the system of colonial exploitation and international trade. Several elements of modernity were implanted there because of the metropolitan, economic and cultural, influence, including the so called 'demonstration effect'.

Obviously, the third echelon of the capitalist development encompassed the non-western societies in Asia, Africa, and, partly, Iberoamerica where the proper premises of capitalism did not exist and could not emerge at all. However, the West attributed, thanks to its technical, economic and military superiority, the 'pro-western'

⁵ In the early 1960s, Alexander Gerschenkron has formulated the following law of the catching up development: "the more backward a country, the more likely its industrialization was to proceed under some organized direction; depending on the degree of backwardness, the seat of such direction could be found in investment

model of development, as a rule, in truncated forms, to the other regions of the world (exogenous modernisations). In the case of such great civilisations of the East, as the Chinese and Indian, which in the mid of the second millennium were surpassing the West in many technical and intellectual respects, the West turned their commenced decay, when they entered a decreasing phase of their development into its own advantage. In particular, until the end of the XVIII Century, neither China nor India lost 'an inter-civilisation competition' to Europe by the main economic indicators. A quantitative gap between them and the European colonisers was insignificant. Moreover, if we would be moving back on the historical scale of time, we could see that in the XV-XVI centuries, China and India stayed at a higher level of the economic and technical development than Europe. [*Bairoch P.*, 1971: 115-116, 123-126, 135-143; *Maddison A.*, 2001: 27 et ff.]. However, the East was unable to resolve the ecological and other internal problems within a framework of the pattern of its historical movement upon the traditional social and technological basis. [*Jones E.L.*, 1981: 192-222]. In those conditions, the Oriental societies, not speaking about Iberoamerica, had been subjugated, directly or indirectly, to the European powers. Moreover, the capitalist (western) expansion to abroad either maintained the pre-capitalist relationships in these regions or created them anew, through the mechanism of the colonial trade. (The plantation slavery in the New World and the restoration of serfdom in East European countries in the XVI Century were 'the patterns' of such 'capital's activity'.)

It is a fact that the world capitalist system has been reproduced, being divided into the centre (core), semi-periphery and periphery. Nevertheless, there were not absolute barriers between them as well

banks, in investment banks acting under the aegis of the state, or in bureaucratic control." [*Gerschenkron A.*, 1979: 44].

as between echelons of the capitalist development. For example, Japan entered the first echelon of world capitalism due to a successive modernisation policy. Later, the Asian NICs ('tigers') had broken, too, through the historical boundaries between the centre and periphery (see part 2). Therefore, a pertinence of one or another country to the concrete echelon of world development was not predetermined forever. However, over the entire period from the rise of the world system (1492) up today, the breakthroughs of several countries from one echelon to another have been rather exceptions than the rule. Indeed, the way down was easy whereas a lot of obstacles were on the way up.

In addition to the subdivision of modernisations into endogenous and exogenous ones, which predetermined a pertinence of different countries to the centre, periphery, or semi-periphery of the world system, it is possible, too, to classify modernisations by their social-technological types, or stages, which made up a single process of the world capitalist evolution.

The first stage, which may be called pre-industrial modernisation, commenced in the Renaissance epoch and succeeded properly to the rise of modernity, civil society and capitalist relationships. The second modernisation was the industrial revolution of the XVIII-XIX centuries with the concomitant domination of mechanical tools over labourer, urbanisation, *massification*, human alienation, and respective forms of social protest. The third stage, which is the most important for our study, was the late-industrial modernisation. Its premises arose in the end of the XIX – the first decades of the XX Century, and had been symbolised, in a sphere of material production, by such persons as Frederic Taylor and Henry Ford. Besides, a glorious constellation of outstanding scientists, engineers, artists, novelists, and politicians promoted, by their activity in various spheres of human life, the new state of the western

societies. As Göran Therborn said, characterising this historical period of the western society, it was 'the high modernity'. [Therborn G., 1990: 4]. This modernisation should have overcome the old social conflicts between bourgeoisie and working class what presupposed an extending importance of the new middle class. In the technological respect, its pivotal principle had been the mass assembly-line production upon the base of engineering (taylorist-fordist) organisation of labour and rationalisation of management. At the macroeconomic level, it presupposed a realisation of Keynesian policies aimed at the maintenance and increase of effective demand and full employment that required a growth of the welfare state and a regulation of market. In the end, it succeeded in the rise of mass consumption society. The latter created preconditions for the fourth, post-industrial, modernisation, which represents by itself, strictly speaking, a negation of modernity, industrial production, capitalism and the West-centred pattern of development. The historical essence of this modernisation consists in the global transition towards prevailing 'production of man' over material goods' production and, also, in the increased importance of human capital accumulation together with the expansion of creative, intellectual activity instead of manual labour. This shift has had a crucial impact on semi-peripheral and peripheral countries, probably, more profound and serious than all previous changes in the world system.

The countries that belonged historically to different echelons of the capitalist development passed through the mentioned stages in different ways. In particular, the countries of the second and third echelons attained each stage later than the leaders of the world system. They were urged to shoulder social pain, sometimes almost intolerable, because of the needed participating in the global race, when they did not yet resolve many problems, which, in the first echelon countries, corresponded to the previous stages of

development. It succeeded in the rise of internal tensions in the countries at the periphery and semi-periphery of the world system, and these tensions conditioned the emergence of many new conflicts and contradictions before old ones could be resolved in an adequate manner.

Notwithstanding the first echelon's, advanced countries influence on the rest of the world through a lot of channels at all stages of development, it was only during the third, late-industrial (fordist-keynesian) modernisation, when issues of the backward countries' development became actual in both practical and theoretical respects. Moreover, a mechanism of economic growth, character features of the social structure, political system and historical trajectory of the XX Century capitalism as a whole, which arose due to this modernisation, influenced the development of all three regions under our consideration. In particular, it created 'the global social-economic environment', in which the universalistic conceptions of development, still widespread in the XIX Century, were successfully realised, at least, as it seemed, approximately until the mid-1970s.

Here, our analysis reaches one very important and interesting problem that could be resolved only in a framework of the XX Century capitalism but was put on agenda one hundred years before. Indeed, at that time, when a seizure of colonies by the leading European powers came to finish, almost all main political-ideological currents, from the conservative 'white man's burden' attitude expressed by Rudyard Kipling to the left socialists that evaluated colonialism negatively, thought that the laws of movement of capitalism were common in India or African colonies as well as in the Great Britain, Belgium, or France. In other words, they supposed that the development of the colonial countries and territories was subordinated in the end to the same, universal principles, which

should destroy all obstacles to one-linear progress, whether such obstacles were of political, cultural or technological character. Differences between political currents concerning colonialism consisted in *the concrete conclusions* from these and likely assessments. Some of them predicted 'the bright capitalist future' for non-western societies and attempted to accelerate its coming through missionary enlightening activity. Others argued that the capitalist expansion to the East and South, despite many negative aspects, should prepare the social-economic soil for socialism. This prevailing universalistic approach to capitalist development was clearly expressed in the works by Karl Marx, who could hardly be accused of sympathies to capitalism.

Until the end of the 1870s, Marx treated the laws of the capitalist development as universal for all countries and peoples. His approach was formulated in the preface to the first German edition of 'Capital': "The country that is more developed industrially only shows, to the less developed, the image of its own future." [Marx K., 1974: 19]. Certainly, Marx saw the essential differences between the West and oriental societies, and his concept of 'the asiatic mode of production' enabled him to grasp many essential features of the East. Nevertheless, Marx believed that an expansion of capital could destroy the social-economic and power structures that existed in non-western countries and, thereby, all hindrances to the capitalist development of the East should be thrown off to a rubbish-pool of History.

For example, critically assessing the British policy in the seacoast areas of China, Marx, at the same time, emphasised the role that the English cannons and external trade played in the subversion of the old Chinese social structures and order involving "the Celestial Empire into contact with the terrestrial world". [Marx K., 1979a: 95]. Likely, he evaluated the outcomes of British colonialism's activity in

India. On the one hand, Marx put this activity under harsh criticism, drawing attention to the almost complete destruction of Indian weaving and the terrible famine among weavers because of imports of the cheap British goods. [Marx K., 1979b: 127-128, 132]. On the other hand, he saw some positive modernising aspects of the given activity, which, accordingly to his implicit vision, put up genuine foundations of the future Indian independence upon the base of capitalism's accomplishments. "The work of regeneration hardly transpires through a heap of ruins. Nevertheless it has begun" –, wrote Marx about dual character of the British colonialism in India. [Marx K., 1979c: 218]. In the same manner, he evaluated the western economic, military and cultural expansion to China, which, in his opinion, succeeded in the prospects of a triumph of the principles of *liberté, égalité, fraternité* as well as to an inevitable establishment of the republican order instead of the 'Celestial Son's autocracy'. [Marx K., 1978c: 267]. Actually, Marx's universalistic attitude to the capitalist development in the East implicitly led him and his successors to the conclusion about the future victory of socialism on the global scale, not only in the most developed western countries.

Marx began to reconsider his universalism under influence of the contacts with Russian scholars, publicists, and revolutionaries in the 1870s when he approached to study of the social-economic situation in Russia. He supposed, although unsurely that a peasant community, a cell of the Russian society, might absorb and use for its advantage the essential elements and functional features of modern capitalism for its advantage not to be expected unless spontaneous processes could implement the capitalist institutions, particularly such ones as matured private property relationships. Unfortunately, Marx did not accomplish his Russian studies for various reasons, in particular, because of insufficient statistical data,

deficit of time, and arising disease. Respectively, Marx could not make clear conclusions from his analysis of the post-1861 Russian reality, remaining in a realm of the XIX Century universalism.

In contrast to Marxian universalistic views, Max Weber focused on a peculiar character of capitalist society. He argued that the latter could rise only on the social-cultural soil of West European civilisation. As it is well known, Weber emphasised the key role of the protestant ethics in the capitalist development. [*Weber M.*, 1984: 17-22, 35-78, 155-183]. However, it was only one aspect of the Weberian conception. There was also another aspect, which concerned the experience of oriental societies. Namely, it was necessary to explain why the expansion of western capitals to the East did not succeed in the emergence of industrially developed capitalism in Asia, and Weber elaborated his conception considering this fact.

Indeed, the established control of the western powers over a big part of Asia and Africa at the end of the XIX Century notwithstanding, capitalism could hardly rise and develop, at least, in its matured forms, in any Asian country without support of the colonial authorities. Moreover, while the West conquered India, Burma, Indochina, and Indonesia, and began to control the most part of Africa, large territories of China remained untouched by capitalist expansion, despite uninterrupted attempts of the western countries to subjugate the mainland of 'the Celestial Empire'. Even such a seemingly favourable factor as an evident decline of the Chinese state aggravated by a moral degradation of the emperor's court and top mandarins did not help the western colonisers, missionaries and merchants to transform the country into a 'full' colony and to steer her evolution towards capitalism. The West was able to implement the capitalist order and relationships merely in some enclaves of the seacoast areas (certainly, in frustrated,

abnormal forms) but had not sufficient forces and resources to involve the continental parts of China into its colonial system. The Chinese society rejected almost all elements of modernity and continued to maintain the traditions and habitual order. (See: [Fairbank J.K. *e. a.*, 1973: 563-596, 619-647].) Even after the Boxer Incident when troops of the leading capitalist powers occupied a part of the Chinese territory, 'the Middle Kingdom' did not approach modernisation. Rather, China suffered a kind of westernisation, very superficial and imitative that affected mainly the top of officialdom and compradore strata.

Unsuccessful experience of the western expansion to the Chinese mainland was a challenge, not only to capitalism but also to widespread universalistic attitudes to the prospects of capitalist development in colonial, peripheral countries. Respectively, a response to this challenge and its explanation as well had been required. And Max Weber found such a response, explaining, on the one hand, the uniqueness of western capitalism, and referring, on the other hand, to an experience of the oriental societies that allowed him to conclude that Hinduism, Buddhism, and other religious-philosophical systems of the East were incompatible with 'the spirit of capitalism'. [Weber M., 1978, vol.1: 630].

Therefore, it would be naive to hope for a triumph of capitalism in the entire world and to reconcile the western capitalism's pretensions for the global dominance with reality. Moreover, at the same time, an enlargement of the world capitalist zone as well as an involvement of the non-western, peripheral territories into a sphere of the capitalist influence came to objective limits for another reason, too. A division of the world among the leading powers was finished, and the issue of its re-division stood on agenda. In such conditions, an intention of some industrially developed countries to restrain an activity of new rivals looked as an adequate reaction to

the changing situation. In other words, a further expansion of each core country to abroad met a suspicion and resistance of its competitors. Capitalism for itself put obstacles to the proper growth, development, and enlargement beyond the frontiers of its historical core. Furthermore, capitalism could not enlarge its sphere without limits even if a rivalry inside of a group of the leading capitalist countries would never emerge, because it was impossible to build up manufacturing mills and respective infrastructure in all places, which seemed to be appropriate for the purposes of capital. There were many natural, climatic, demographic, social-institutional, cultural and other factors that did not allow install factories and the necessary equipment, to construct roads and to organise a network of mail service anywhere. Besides, the mentioned above ability of capitalism to conserve and adjust the pre-capitalist forms of social-economic relationships to its own needs operated as 'an additional obstacle' to the capitalist expansion set up by expansion itself (This circumstance had been the foundation for Rosa Luxemburg to affirm that capitalism needed the existence of the non-capitalist environment and respective social strata [*Luxemburg R.*, 1963: 352-353, 357-360, 362-367], although the explanation of this fact did not look blameless from her proper, essentially Marxist point of view).

At the same time, capitalism as a whole is able to create pre-capitalist (or non-capitalist) forms of social relationships as the proper functional elements, or, also, it can be turned into such forms, where and when it does not find a free-waged labour as its counter-agent. Hence, at a certain stage of development, capitalism can take forms, which do not look as adequate to its social-economic nature. What concerned the XX Century capitalism, it had to take such forms for the sake of own survival. It needed to appropriate special props, which seemingly negated its essence, but supported

the capitalist system as a whole. Otherwise, capitalism could not exist and function at all.

The two main (but not only!) props that the XX Century capitalism should have to put up under its base were: 1) a domination of its function over private property aimed at restraining destructive, egoistic intents and endeavours of owners; 2) an introduction of some essential elements of socialism such as pensions for retired people, medical insurance, free access to school education, etc. The conjunction of these both kinds of props had been maintained by the state, which should regulate markets.

However, whence and how could capitalism take up and build up the called props? Regarding the first echelon countries, these props could be taken from inside of capitalism itself. In the case of the second and third echelons, a solution of this task was more complicate and difficult. Sometimes, it required the radical social-economic, political, and institutional changes accompanied by social cataclysms and revolutions.

The rise of the capital-function, which began to dominate over private property since the first decades of the XX Century, has been derived from one of the internal contradictions of commodity production. Namely, it is the result of the contradiction between an endeavour of each producer to increase a mass of exchange value and a necessity to diminish a value of each commodity unit and to sell as many goods as possible.

This contradiction becomes significant and, consequently, permanently reproducible when capitalism begins to function as a system of the self-sustaining relationships between capitalists, private owners of the means of production, and hired workers, who have nothing in their private property except their labour force – a capacity to work. The capitalist production, even in its primitive forms, presupposes a simple cooperation of labour, i.e. assembling

of several workers, which make up a single 'working unit'. (This is starting point of the rise of capitalist production in both logical and historical respects!) Obviously, it presupposes, too, a necessity to manage their individual labour forces. Thus, capital appropriates a function of management; the latter becomes a function of capital. [Marx K., 1974: 313-315]. Due to a combination of many working individuals and, respectively, to a management of them, capital becomes capable to increase both effectiveness of production, including a productivity of each individual worker as well as the productivity of the entire enterprise, and, thereby, the total output of goods. It succeeds to a solution of the called above twofold task: value of each commodity diminishes while the amount of outputted value increases.

A peculiar role of capital's function took clear and matured forms in a tight correspondence with the rise of banking and stock capital. The increasing role of such capital was a direct consequence of the growth of heavy, machinery and transport equipment building industry in the last third of the XIX Century. The growth of this industry with a long-term period of capital's circulation would be impossible without a concentration of big amounts of financial and other resources. It required an accelerated development of banking and stock capital as well as an emergence of respective market infrastructure. This sector of economic activity became a relatively autonomous sphere, separated, to an ever-extending degree, from the real process of production, which became a sphere where entrepreneurial and managerial functions of capital began to prevail over its titles of private property. Thus, a deepening self-division of the capitalist class into groups of entrepreneurs and managers (here I do not distinguish ones from others, although, strictly speaking, entrepreneurs are not the same people as managers), on the one hand, and bankers and/or stockholders, on the other hand,

succeeded in growing differences between the capital-function and capital-property, and, further, to a separation of them from each other. Moreover, in its turn, managerial functions of capital were separating from entrepreneurship. Certainly, Karl Marx could not ignore these trends studying the movement of capital [*Marx K.* 1978b, chapters XXIII, XXVII, esp. pp. 370-384, 386-389, 436-440], but he did not accomplish a study of the called tendencies (as in the case of his Russian studies). Besides, he had not sufficient facts and data to make far going conclusions from the described trends of deepening separation between two main fractions of capital. Such facts and respective statistical data appeared in sufficient quantity only on the eve of the XX Century, and non-occasionally Max Weber paid a serious attention to an increased significance of managers, bureaucrats, and officials of various kinds. He clearly explained why “capitalism in its modern stages of development requires the bureaucracy”. [*Weber M.*, 1978, vol. 1: 224; see also vol. 2: 956-1003.] It meant that the system of private property and market relationships needed the large stratum of salaried managers that might not be private owners at all. (It is worth to note that Max Weber, recognising an increased role of managers and bureaucrats, nevertheless did not make principal conclusions from this fact and did not preview possible modifications of the capitalist system.)

Meanwhile, capitalism stood on a threshold of big perturbations and changes. Its ‘classical’ model based upon ‘the sacred principles’ of private property and free market was transforming, in some respects, into its opposite because of the growth of monopolies, which were incompatible with free competition. The system had been moving towards a blind alley, and, indeed, it had come to the catastrophic crash in August 1914. The long – in the social-historical respect – XIX Century finished completely. The short XX Century knocked on the doors.

The tendencies towards a separation of capital-function from capital-property and an increased significance of bureaucrats became the evident character features of capitalism. A growth of large-scale production and big corporations, which required a concentration of immense resources belonging to a lot of private proprietors as well as a complication of management as a whole made up a foundation of these processes.⁶ Formal ownership, on the one hand, and a function of control and management, on the other, diverged from each other. And it was not only their separation, but also a predominance of the managerial functions in relation to the ownership of stockholders. "Industry and business gradually split apart", and 'the captain of industry' began to dominate over the businessman. [*Veblen Th.*, 1923: 106-111; see also: *Berle A. A., jr.*, *Means G. C.*, 1932: 66; *Berle A. A., jr.*, 1959: 69-76, 80-83]. It meant 'the managerial revolution' [*Burnham J.*, 1941], or that in essence was the same, 'the XX Century capitalist revolution'. [*Berle A. A., jr.*, 1954: 23-24, 30-35]. Words 'the capitalist revolution' of Adolf Berle-jr. should have to signify a coming of the new, XX Century capitalism instead of the old, private property and free market capitalism of the XIX Century. Certainly, it was *capitalism* but *another* one.

What did it mean for peripheral and semi-peripheral, colonial and semi-colonial countries? Potentially, it could mean that a new 'window of opportunities' might be opened for them. By the way, such theoretician of 'the managerial revolution' as James Burnham wrote about an inability of old capitalism any longer to manage the development of backward countries [*Burnham J.*, 1941: 34] whereas, in his opinion, the rising 'managerial society' (=new

⁶ "...a large measure of separation of ownership and control has taken place through the multiplication of owners." "Formerly assumed to be merely a function of ownership, control now appears as a separate, separable factor." [*Berle A. A., jr.*, *Means G. C.*, 1932: 4, 118].

capitalism) should resolve this problem. Nonetheless, new opportunities could be realised only under definite conditions. One of them was a borrowing of the development model based upon a domination of the managerial function of capital, not expected for unless all elements of productive forces corresponding to the stage acquired by the core countries would mature as a result of the evolutionary, gradual economic growth. In other words, peripheral countries might attempt to compensate their relative social-economic and technological backwardness by effective management of the production process, including a definite compulsion to respective behaviour of the social-economic agents, aimed at the accelerated growth of economy. However, since in the conditions of social-economic backwardness such agents, entrepreneurs and/or managers, were weak as social strata and few, the main actor, which could compel people to pro-development behaviour, was *the state* that should be able to accomplish the function of capital. The *will* of political leaders and officials became, to a big degree, one of the decisive factors of success and might compensate, at least, partly, the deficit of necessary material conditions for development. An experience of this compensation was demonstrated in Germany under 'iron chancellor' Otto von Bismarck, in Japan during the 'Meiji revolution', and in Russia, where the autocratic regime under tsars Alexander II, Alexander III, and Nicolas II stimulated capitalist, industrial development. However, this experience did not surpass a framework of the old capitalism model whereas the XX Century required new approaches to a solution of the development strategic task. Hence, it was necessary to search for the new responses to the new challenges.

In Russia, a search for an alternative to the collapsed old system started when the real, material and social as well, premises for the realisation of such alternative did not exist or existed in embryonic,

underdeveloped forms. The country should have to respond to a lot of challenges when there was no social background to do it. Nevertheless, as outcome of many tragic events and circumstances, the Russian way to the new epoch had been an indispensable option for sake of survival.





2. Russia and Latin America at the Start of the Great Experiment

Big Russia and Latin America were the first regions beyond the frontiers of the West, which approached to an accelerated industrial development under guidance of the state in the XX Century. (Certainly, there were also such countries as Japan, which continued to follow on their way opted in the Meiji epoch, and Turkey under rule of Kemal, the country that suffered a horrible defeat and subsequent disintegration of the Ottoman Empire. Turkey was forced into adapting to the changed conditions and initiated her modernisation, too, but neither Japan nor Turkey is under consideration in the book.)

As it was said above, Russia belonged historically to the second echelon of the world capitalist development. Since deliverance from the Tartar yoke in 1480, the country had never been a colony of the foreign powers and had defended her independence in 1612 and 1812 when the enemy invasion threatened it. At the same time, Russia had sufficient capacities and resources for an expansion abroad, mainly to the South, Southeast, and East.

Nevertheless, despite political independence of Russia on the leading western powers, Russian development as a whole was a dependent development, although unlike to the one, which was inherent to almost all peripheral countries and was described in details by the theoreticians of dependency in the late 1960s and 1970s (A. Aguilar Monteverde, S. Amin, A.G. Frank, Th. dos Santos, O. Sunkel, and others). The Russian development presupposed a dependency of particular character. Over the last three centuries, since Peter the Great, it depended mainly on impulses and impacts from abroad to a greater degree than on internal motives and

premises of the proper evolution that arose in the country. Russia had to be adjusted to permanently changing conditions and to respond to the challenges, which had been initiated in the West. Simultaneously, maintenance of the far-reaching expansion to eastward required non-ordinary efforts and a more or less effective state-ruling apparatus.

Thus, a necessity to achieve the next stage of social-economic evolution conditioned by rivalry with the West and proper expansion emerged before the internal premises of its achieving matured. "The great country cannot wait" –, said Sergey Witte, one of the most prominent political figures of the autocratic regime under Alexander III and Nicolas II. The objective impossibility to wait until the internal preconditions would allow the maintaining of a military power of the empire, 'unpreparedness' for the self-sustaining capitalist development determined the particular Russian way of modernisation. It was the so-called *empire model of modernisation*. Its object consisted in neither improvement of the life conditions of the population nor increasing the level of elite's consumption. It was aimed at strengthening the military-political power of the country. The key actor of this modernisation was the state, whose main purpose was to create a military-technical 'fist' and to build up a bureaucratic machine correspondingly to this purpose. The state borrowed and imitated several scientific, technical and organisational accomplishments of the West, looking rather at the external, superficial material aspects of the western societies than at the real social-economic and social-cultural basis of their development.⁷ This model of modernisation presupposed an option of priorities and a colossal concentration of resources in the prior spheres of economy and government's activity. It required the super-exploitation of the

⁷ "Western ideas and institutions had been imported but not assimilated." [McDaniel T., 1988: 29].

peasants and inevitably succeeded in a permanent reproduction of the central-peripheral structure of the world system within Russian boundaries. [*Krassilchtchikov V.*, 2003: 37-38].

At the same time, in Russia, particularly since Catherine the Great, the central-peripheral structure of economy and society arose not only as consequence of the specific character of modernisation but also as result of the country's involvement into the world trade in quality of a raw materials and agricultural goods supplier. As Immanuel Wallerstein assumed, the share of primary goods in the Russian exports increased from the mid-XVIII Century and had reached 95 per cent to the end of that Century. This 'structural shift' and the quantitative growth of primary goods exports as well conditioned the strengthening of direct exploitation of serf labour. [*Wallerstein I.*, 1989: 141-142, 155, 160-163]. In poetic form, Alexander Pushkin described the social-economic mechanism of Russia's drift to periphery of the world-system:

"Whatever for caprice of spending
ingenious London has been sending
across the Baltic in exchange
for wood and tallow; all the range
of useful objects that the curious
Parisian taste invents for one –
for friends of languor, or of fun,
or for the modishly luxurious –
all this, at eighteen years of age
adorned the sanctum of our sage."

[*Pushkin A.*, 1977: 22]

A desire to purchase 'whatever for caprice of spending' could be satisfied augmenting the exports of 'wood and tallow' (as well as

those of corn and other primary goods!). It was the main motive of landlords to exploit serfs in ever-extending degree and, thereby, to eternalise a division of the Russian territory into internal centre and periphery.

Certainly, it is difficult to overestimate the significance of Russia's involvement into world trade for the emergence of the internal structure of the economy and society. In the case of Russia, this involvement was much lesser significant than in the case of Latin American countries, where the exports of cotton, sugar cane, coffee and raw materials for purchasing imported commodities for the prestigious consumption of the rich (the colonial trade, in other words) had been the decisive factor, which attributed all essential characters to the local social economic systems.

Nevertheless, the external trade of Russia undoubtedly contributed to a division of the country into the internal centre with quasi-european image (St.-Petersburg and, to a less degree, Moscow) and the large peripheral territories. At the stage of industrialisation and construction of railways, the role of external trade in the reproduction of the internal central-peripheral structure essentially increased. A necessity to import machinery and other capital goods for the catching up industrialisation required exporting corn and raw materials in ever-extending scale. "We shall undereat but we will export" – this principle of the economic policy of Ivan Vyshnegradsky, the minister of finances under Alexander III, explained the essence (and cost!) of the Russian development in the last third of the XIX Century better than a lot of scientific treatises. The enforced economic growth, aimed at strengthening the military-technical power of the Russian empire, had a reverse side –the impoverishment of the peasantry and urban 'underclass', pushed out from the accustomed, traditional way of life.

Besides an obviously widening social-economic gap between the advanced enclaves and the large backward areas, the internal central-peripheral structure of Russian society had also a social-cultural dimension. Several aspects of modernity, introduced by the authorities from above, while the large territories and tremendous masses of ordinary people remained out of the modernisation processes, estranged most of the population from development, which had been perceived as somewhat negative, destroying the traditional way of life and centurial customs. This estrangement (alienation) of most of the people from modernisation succeeded in a deep social-cultural split between the ruling elite and the upper classes, on the one hand, and the peasant, traditional society and marginalized masses of the population, on the other. Because of this split, the social-economic conflicts that inevitably took place in the course of modernisation in the Russian conditions were peculiarly acute and did not allow acquiring a mutual compromise between the upper and the low strata. The social-cultural split pierced all society and became one of the unsurpassable obstacles against further modernisation. Thus, the catching up development spoiled the immense human and material resources subverting the ability of society to survive in the urgent conditions of crises.

Since the 60s of the XIX Century, the processes of social disintegration and disorganisation in Russia overtook the growth of modern, capitalist structures. The authorities attempted to countervail these processes of social destruction, mainly by means of political and administrative repressions, but these attempts could not stop the social erosion and maturing of a spontaneous revolt from below against the estranged, alien modernisation.

The First World War destroyed a fragile, unstable equilibrium in Russian society, which turned into a realm of spontaneity and anarchy, moving to the anti-capitalist revolution. The traditionalist

reaction of rejection to the capitalist development under the autocratic guidance played a very important, it might be, decisive role in this revolution. [McDaniel, T., 1988: 14-16 et ff., 278-281; McDaniel, T., 1991: 12-13, 185-217].

The Bolshevik party picked up the state power that lay on the road. However, to pick up power was a necessary but insufficient condition to prevent a terrible anarchy and social disorder. It was also necessary to manage and to rule the tremendously large territory with underdeveloped infrastructure and colossal distances between 'the points of power'. In addition, the crash of the old regime meant an insistent necessity of modernisation, which was an indispensable condition of the country's survival and further existence. Evidently, an accomplishment of any modernisation strategy would be impossible without the strong and effective organisation of political institutions that should be able to canalise the disintegration of society and to absorb the spontaneity of popular uprisings. The Bolsheviks were the only real force capable of establishing control over the destructive processes in the country. They used the energy of the social disintegration for the strengthening of their power, supporting 'the organised violence' by means of 'the spontaneous violence' and enforcing Russia to accelerated industrial development. Such enforcement could take place only in a definite context of world capitalist development, including, *prima facie*, the tendency towards an increasing role of capital-function and management. Lenin and some (but not all!) Bolsheviks grasped these tendencies, so they won in the civil war.

Today we can assess one of the most famous Lenin's work, 'The State and Revolution', as his most utopian work from the point of view of Marxian idea of the future society that should be *the knowledge-based society*, according to the attitude of Marx to the main trends of capitalism. Nevertheless, at the same time, this work

by Lenin encompassed the exclusively practical recommendations how to utilise the *capital-function without capitalists*. Mistakenly assessing socialism as the first stage of communism (?), Lenin wrote about a necessary and inevitable existence of 'the bourgeois right' concerning the distribution of incomes according to the labour contribution of each economically active individual to the growth of social wealth. Respectively, at this stage, 'the bourgeois state', but without bourgeoisie, should have to exist, too. [*Lenin V.I.*, 1974a: 476]. Later, he deepened his idea of 'the bourgeois state without bourgeoisie'. In the article "Can the Bolsheviks Retain State Power?" Lenin wrote about the apparatus of big banks and industrial syndicates created for accounting and control for the movement of financial and material resources. He underlined that this apparatus should be not destroyed but subordinated to the organs of new authority, it "must be wrested from the control of the capitalists; the capitalists and the wires they pull must be *cut off, lopped of, chopped away from* this apparatus; ... it must be expanded, made more comprehensive, and nation-wide. And this *can be done* by utilising the achievements already made by large-scale capitalism..." [*Lenin V.I.*, 1974b: 106].

At last, in 1918, an idea of utilising capital's function without capitalists as well as an idea of nation-wide accounting and control was added by a recommendation to borrow the Taylor system and to "adapt it to our own ends". [*Lenin V.I.*, 1974c: 259]. (In this respect, the Bolsheviks anticipated a practice of 'sanguinary Taylorism' that had been imposed over a half of Century in some developing countries, which initiated the delayed industrialisation under guidance of the authoritarian regimes. [*Lipietz A.*, 1982: 41-44; *Lipietz A.*, 1983: 757-758; *Lipietz A.*, 1986: 9, 71-72].)

Actually, the Soviet government should have to accomplish the historical mission of capitalism but without capitalists. In the

concrete conditions of Russia, it could be done through acquiring the historical compromise between the Russian universe (and the Russian particularism, including widespread people's inclination to spontaneity and anarchy), on the one hand, and the main trends of the modern, capitalist development, on the other hand. And, indeed, such compromise was really acquired. [Foursov A., 1996: 112-113, 120-124]. It was essentially significant in the society, where a tradition of negative relation of most of the population to private property, material wealth, and individual dignity was rooted in the core of culture and had the strength of the people's superstition. But, at the same time, this compromise constituted a ground of *the conservative modernisation* as the XX Century variant of empire model modernisation in Russia. [Vichnevsky A., 2000: 65-70, 225-231, 252-261, 290-304].

A key to the adequate comprehension of such phenomenon as *the conservative modernisation in Russia* could be found, on the one hand, in the approach to post-revolutionary policy proclaimed by Lenin. He said: "We can (and must) begin to build socialism, not with abstract human material specially prepared by us, but with the human material bequeathed to us by capitalism. True that is no easy matter, but no other approach to this task is serious enough to warrant discussion." [Lenin V.I., 1974d: 50]. On the other hand, Lenin insistently recommended subordinating an apparatus of accounting and control created by industrial capitalism to the proletarian Soviets, which were actually the archaic forms of rule and decisions' taking. In essence, he proposed to subordinate and adapt a function of capital to traditional perceptions of masses that were evidently biased to 'simple solutions' of the real, complicate problems the country had to resolve. Really, only professional managers and officials, through the state apparatus, could accomplish functions of management and rule. Therefore, James

Burnham was not far from the truth when he assessed 'the Russian way' and the Russian revolution as a whole as a kind of 'the managerial revolution'. [*Burnham J.*, 1941: 206-226].⁸ However, this revolution might hardly remain to be non-afflicted under a pressure of 'the human material bequeathed' by the past social order, namely, by truncated capitalism merged with pre-capitalist, archaic social forms.

As it was said above, in the West the managerial revolution led to the domination of function of capital over private property, but it did not abolish the latter at all. Moreover, such domination became one of the indispensable conditions to rescue the private property system as a whole from the anti-capitalist revolutions.

The situation in Russia was another matter. In Russia, the country of extremities, the managerial revolution had been realised in their radical, utmost forms. It was aimed at the complete abolition of private property for the sake of creation of an industrial economy, capable to compete with the West, particularly, in the military-technical sphere. This strategic task should have to be solved over very short period; otherwise, the existence of Big Russia (in form of the USSR) as an independent power might be put under question.⁹ Considering the First Five Years Plan of industrialisation (1928/29-1932/33), Alexander Gerschenkron wrote: "Again, in the best Russian tradition, it was to be a race against time." [*Gerschenkron A.*, 1979: 145]. (The tragic events of the late 1930s and afterward proved that the accelerated industrialisation was indispensable;

⁸ Later, Alexander Gerschenkron noted: "Soviet evolution may be considered a special case within the general pattern of European economic development." [*Gerschenkron A.*, 1979: 2]. Idea that the Soviet communism had been the Russian way of development (non-capitalist way to industrial society) was widespread among non-orthodox western scholars in the mid-XX Century. (See, for example: [*Marcuse H.*, 1958: 11-12, 86-90].)

⁹ J. Stalin said: "We are fifty or a hundred years behind the advanced countries. We must make good this distance in ten years. Either we do it or they crush us." (Quoted on: [*Hettne B.*, 1992: 38] with reference to [*Holloway D.*, 1981: 9].)

otherwise, the country could not stop the Nazi invasion.) Meanwhile, 'a race against time' corresponded to stereotypes of 'defence consciousness' of most of the population that dreamed to see the country being ruled by a strong, powerful state and, at the same time, perceived accelerated industrial development as the best way to 'a realm of equality, justice, and truth'.

A solution of the strategic task of modernisation (by means of use of capital's function) required to implement the respective 'technology of power' and institutional structures of *statism*. Manuel Castells defined the latter as "a social system organized around the appropriation of the economic surplus produced in society by the holders of power in the state apparatus." ... "Statism is a specific social system oriented toward the maximization of state power, while capital accumulation and social legitimacy are subordinated to such an over-arching goal." [*Castells M.*, 1998: 7, 9].

Obviously, statism as a social system could function due to an activity of the stratum of people, who personified by themselves management and power. Strictly speaking, these people were neither salaried bureaucrats nor officials of traditional society, although this stratum bore in itself some features of both, so my Russian colleague Andrey Foursov proposed another definition of the system, which existed in the Soviet Union and other 'socialist countries'. He named this system as a *cratocracy*, i.e. as a power of authority, or, in other words, a power of those people, who had an access to it and exercised power. Certainly, the proposed definition, to a big degree, is tautological. Nevertheless, it reflected very important features of the Russian/Soviet system, in which a power at all levels really was and had been perceived as an absolute concept, like the speed of light in physics and the material universe.

However, a concrete term or concept is not a matter in the given case. We can call the stratum that ruled in the USSR the 'new class',

as Milovan Djilas did [*Djilas M.*, 1957: 37-69], or 'nomenklatura' whose shank was a twofold function of administration and the exercise of power. [*Voslensky M.*, 1984: 70]. What is the matter here, is the concrete functioning and results of the mentioned stratum's activity.

Over a long time, most Russian people believed that they chose 'the best way' to 'the bright future'. This naïve belief, although, packed into the rationalistic cover of 'Marxism-Leninism', a west-centred doctrine by its roots and sources, helped to surpass obvious difficulties of an adaptation to rapidly changed conditions and facilitated the adjustment of many people to industrial production, based on the subordination of human labour to material factors. It helped, too, to become accustomed to strong technological discipline and to the measures of compulsion, rather administrative than economic, to labour. An exploitation of the people's enthusiasm and dreams about 'the best world' they, as it seemed to them, built for themselves and all humankind (it was an exploitation of the spiritual factors of production!), enabled to alternate the widespread regards to techniques. The latter ceased to be treated as an alien force, the embodiment of Evil, and began to be conceived as a tool that helped to reach 'the bright future'. A tremendous mass of the social marginal strata, whose protest against old capitalism and *any* social order had been expressed in spontaneity and 'omni-permissiveness' in the first years of revolution, was engaged into hard work at manufacturing plants, collective farms, and railways depots, etc. Many of these people got opportunities to be graduated and to become qualified specialists in various branches of industry and science.

It would hardly be relevant to describe all social-economic and institutional mechanisms of the Soviet industrialisation since the end of the 1920s because such description, at first, would not add

something new to the understanding of our study's subject matter, and, secondly, lies beyond the topic of our book. Nevertheless, two additional notes with regard to the Soviet experience have to be considered here.

At first, the whole Soviet /Russian catching up development can be assessed as a pattern of restoration of the pre-capitalist relationships in the course of accelerated industrialisation. Since the latter was conditioned, to a big degree, by the rivalry with the core capitalist countries, it can be said that, in the case of Russia, the development in the world-system centre created the pre-capitalist (or non-capitalist) forms at (semi-) periphery as their 'functional elements'.¹⁰

Secondly, Russian industrial modernisation aimed at catching up with the world leaders affirmed the verity of the words of Marx, who compared human progress to "that hideous, pagan idol, who would not drink the nectar but from the skulls of the slain." [*Marx K.*, 1979c: 222]. The Soviet super-power with all her undeniable accomplishments was built up on the bones of millions of people, who became the victims of the 'hideous idol' of progress, which had an immensely contradictory character. The latter attributed a fascinating dynamism to the Russian catching up development but, simultaneously, set up hidden limits and insurmountable obstacles to it that conditioned the collapse of the USSR in the end.

The well-known fact that Latin American countries suffered a deep crises and social perturbations only twelve years after the crash of old capitalism in Russia was not an occasional coincidence by the time.

The Great Depression of 1929-1933 in the United States and other industrially developed countries revealed a deep dependence

¹⁰ "The production of surplus value and exploitation by the nomenklatura class has resulted in a strange regression to precapitalist forms." [*Voslensky M.*, 1984: 175].

of Latin American countries on the West. The catastrophic fall of demand for sugar cane, cotton, coffee, and other goods that had been imported by the western countries from Latin America subverted the external trade of the continent. The decline of exports affected dramatically the trade balance and imports of Latin America. For instance, in 1932, Latin American imports had fallen by 60 per cent (to 39.5 % of the pre-crisis level in 1929). [Maddison A., 1985: 16]. There was no country in Latin America that could avoid the crisis. Consequently, a wave of mass contests against the bankrupted oligarchic economic system and political power had arisen from 'bananas republics' of the Central America to *Tierra de Fuego* in the South. The continent became an arena of revolutions, counter-revolutions, and coups d'état. Sometimes, the old oligarchy could retain power, mainly, due to aid by the Northern *bueno vecino* ('good neighbour'), interested in the existence of 'sons of a bitch' ("hijos de puta") if they defended Uncle Sam's profits and privileges (the cases of Nicaragua, Cuba, and some other countries). Nevertheless, despite support by US monopoly capital, the trade-agrarian oligarchy lost its important positions, particularly, in the large and relatively developed countries of Latin America, though it did not disappear completely from the political scene of the continent. The populist regimes headed, in some cases, by charismatic leaders, displaced the old oligarchic rulers, whose policy led to a crash.

Latin American populism, like Russian Bolshevism, could emerge only in the conditions of retarded industrialisation, when the pre-capitalist forms of social relationships still existed and had not been modified, impeding 'normal' capitalist development. The all-embracing dualism, either social-economic, or political, or cultural and ideological that was the outcome of uneven and dependent development, when enclaves of the modern society co-existed with

large zones, where the traditional structures dominated, conditioned the weakness, segmentation and amorphousness of the social classes. [*Touraine A.*, 1976: 96-104, esp.: 101-102; *Touraine A.*, 1988: 45]. None of them could pretend performing itself as an autonomous, independent, self-sufficient social force capable to express and realise a proper programme. Neither the national bourgeoisie, nor the working class, nor the middle classes were able to become the leading force and to steer the anti-oligarchic contest raised after bankruptcy of the old system. Each of them could act only in coalition with other strata and groups. Such an amorphousness of the social classes, which could potentially become, perhaps, in a prospect, the agents of modernisation, conditioned, particularly, in the time of deep crisis, the rise of populism.

Latin American populism combined social-economic modernisation with cultural (and political, too!) nationalism [*Touraine A.*, 1988: 166], rooted in the pre-modern structures and traditions. The leaders of populism in Latin America represented, by themselves, the historical compromise between traditionalism and modernity, communalism and individualism, social justice and development, revolt against the old order and semi-utopian dreams about 'happy life', according to 'appeals of the indigenous soil'. They were able to unite the diverse social forces around the general interest –national development aimed at weakening the destructive external dependence on core of capitalism. [*Touraine A.*, 1976: 189]. Even 'the late' populist policy that had been realised in the 1960s, for example, under the presidency of João Goulart in Brazil, was oriented towards a consolidation of the large masses, the population of rural areas (peasantry and agricultural waged workers) as well as the urban low strata, around the aims of national development. [*Cardoso F.H., Faletto E.*, 1970: 117, 119-122;

Cardoso F.H., Faletto E., 1978: 138-139, 140-143]. However, the stratum that was the main benefactor of the populist policy being, at the same time, the social pole of gravitation, had been the urban middle class. (In this respect, *Peronism* in Argentina was the best and brightest pattern of policy advantageous mostly for this stratum, including its largest part, the trade-unionised industrial workers.) This circumstance allows resembling the populist policy (and politics) in Latin America to the policy of social-reformism (social democracy) in the developed countries.

Actually, as in the case of bolshevism in Russia, it was a form of 'conservative modernisation', extremely contradictory in itself, which, nevertheless, attributed a complementary dynamism to the process of development but, in the future prospect, should become one of the internal obstacles to a further progressive transformation. In particular, as José Luis Fiori characterised the Brazilian development over the whole XX Century (and even since independence!), it was a situation of '*the conservative pact*' between modernity and traditionalism – the social condition of specific modernisation. [Fiori J. L., 2001: 497-498, 501, 506-509]. But this compromise was not only that between the modern classes and the old ones. It pierced all social strata and groups, although, of course, to a different degree, and had been rather the symbiosis of modernity and traditions *inside of* each stratum, including the social and individual as well as the consciousness of people.

However, despite a certain similarity between 'the conservative modernisations' in Russia and Latin American countries, there was also an essential difference between them. In the case of Russia, it was the compromise between modernity and traditionalism (conservatism) of the low classes, namely, the urban underclass and the rural poor. On the contrary, in the case of Brazil, for example, it was a compromise between modernity and traditionalism of the

upper class, on the one hand, and traditionalism of the low strata, on the other hand, but with a dominance of the interests of the elite. In Brazil and some other Latin American countries as well, 'the conservative modernisation' had been designed to prevent the uprising of masses and other 'undesired events', mainly, such as the social-political Leftist revolutions. For instance, Antônio Carlos Ribeiro de Andrada, the Brazilian politician at the time of 1930 Revolution, said, "we make the revolution till the people will make it." [Rogrigues, J. H., 1965: 91]. Such an approach predetermined a specific correlation between reforms and anti-reforms, modernisation and conservation of the old social structures in the course of almost all Brazilian (and Latin American as a whole) modernisation, at least, until the early-1990s. The general vector of this modernisation was mostly oriented towards a preponderance of 'order' over 'liberty'. [Ibid.: 183]. In particular, such a populist leader as Getúlio Vargas, the president of Brazil in 1937-1945 and 1950-1954, did nothing that might contradict the interests of landlords (latifundistas), the radical reforms in some other respects notwithstanding. The system of patrimonial relations [Eisenstadt S.N., 1973], including *casiquismo*, remained to be untouched over a long period in the rural areas of Latin America inasmuch as the Soviet industrialisation restored the relationships of serfdom in the country-side, although in modified, 'collectivist' forms.

At last, there was one more common feature that resembled the Russian Bolshevism and Latin American populism to each other, obvious differences of the ideological arrangements and approaches of the both social-political currents to social-economic and cultural problems notwithstanding. It was the mass mobilisation of large strata for support of the ruling regimes' policy, and this mobilisation had been based, to a big degree, upon the naive belief in the omnipotence of the state, seemingly capable to create miracles due

to its political will and 'social engineering'. In particular, it was not an occasional paradox that the regime of Getúlio Vargas in 1937-1945 promoted an idea of the *homem novo* ('new man'), who should be 'created', nurtured and educated under the guidance of the state – an idea that resembled to goals of the social engineering attitude of the Stalin regime. [Oliveira L. Lippi, Velloso M. Pimenta, de Castro Gomes A.M., 1982: 154-156]. By the way, the Taylorist principles of labour (let us remind Lenin's ideas!) should have to play a significant role in the process of the 'homem novo' creation. At the same time, under the first rule of Vargas (1937-1945), the influence of the clerical circles, particularly, in the sphere of education, apparently increased; and in addition, Vargas and his environment did not avoid compliments in respect to Mussolini.

From the social-economic point of view, Latin American populism had properly been the form of dominance of the capital's function (namely, function of organisation and management) over private property in the concrete conditions of the continent. It would be worth reminding that one of the most famous and symbolical leaders of populism in Latin America, the Argentine president Juan Domingo Perón, spoke about 'the imperative of organisation' as one of the pivotal principles of that time. [Perón J.D., 1974: 103]. The populist regimes, either democratically elected or authoritarian, established in Latin America (Mexico, Brazil, Chile, later in Argentina and other countries) were to accomplish almost the same historical mission as the Russian Bolshevism did – a mission of capitalist development when the class of the industrial bourgeoisie was unable to become the autonomous agent of industrial development, or did not exist at all. The global situation favoured them until the mid-40s because the core countries suffered the systemic crisis and were involved in the Second World War, concentrating their efforts on the internal and on warfare problems. Hence, at that time, the West did not pay

attention to the periphery and semi-periphery of the world economy inasmuch as before the First World War. In addition, the 1920s-40s were the period of mainly inward-looking development, and the rise of Keynesianism with an emphasis on effective demand and enlargement of the internal markets, which did not presuppose a rapid growth of external trade. According to the statistical data, world trade grew more slowly in the period of 1913-1950 (in average, by 1.3 per cent annually) than in *la belle époque* of 1870-1913 when it increased annually by 3.4 per cent. It concerned not only the world system as a whole, but also Western Europe, North America (US and Canada), and Latin America (see: [Maddison A. 1995: 74]). The total volume of world exports¹¹ decreased after 1929 when the Great Depression had hit, and exceeded the 1929 level only after the Second World War. Thus, a painful transformation of capitalism in the centre and tragic events of the wartime were facilitating a change of the old Latin American development model. The populist regimes got a chance to utilise *the function of capital*, personified by the state bureaucracy, in alliance with the growing strata of industrial capitalists for accelerated inward-looking industrial development.

Certainly, rapid industrialisation would be impossible in Latin America without the relatively developed 'pre-industrial' background (as in the case of Russia the bolshevist catching up industrialisation could not be accomplished without several achievements of the capitalist development under the tsars). A spontaneous growth of light industry, often, contrary to attitudes of the ruling oligarchic clans, began in some Latin American countries, for example, in Brazil, in the second half of the XIX Century, at least, at the level of manufactories. [Furtado C., 1972: 81-86; Soares L.C., 1984: 17-49;

¹¹ Measured in dollars at the exchange rates at the current as well as constant prices for respective years.

Cattapan-Reuter E., 1984: 51-65]. During the First World War, when the transatlantic trade was constrained because of jeopardy to trade ships, the Latin American countries were obliged to substitute a shortage of the imports by domestically manufactured goods. Some of them, particularly, Argentina, Brazil, Chile, and Uruguay, approached import-complement industrialisation [*Silva H.R da*, 1984: 67-82] that prepared a basis for further breakthroughs into the industrial era. In the 1910s-1920s, the governments of Argentina and, to a lesser degree, of such countries as Chile and Uruguay, began to introduce labour and wage regulation as well as social payments and benefits (reforms by H. Yrigoyen in Argentina).

Thus, a qualitative shift in the process of development that took place in Latin America since the 1930s, when the populist leaders came to power, matured gradually still within a framework of the collapsed oligarchic system.

The social-economic policy of the Latin American populist regimes was aimed at accelerated industrialisation, which should weaken the dependence of national economies on the world market and overcome social-economic backwardness as a whole. It was *the import substitution industrialisation* (ISI), aimed at diminishing imports of consumer goods and substituting them by commodities manufactured at national plants and factories.¹² The strategy of ISI presupposed a use of various, economic as well as administrative, forms of protectionism with regards to the growing local, national industry. High import tariffs protected the internal markets from external competition, while subsidies, loans and banking preferences, which had been offered by the state to private business, stimulated the growth of the respective industrial branches. The state, which, in essence, was *El Estado desarrollista*

(the developmental state) [Cardoso F.H., Faletto E., 1970: 123-129; Cardoso F.H., Faletto E., 1978: 143-148],¹³ regulated the internal market as well as external trade and foreign investments, financing, and, at the same time, the construction of infrastructure. In addition, state authorities established direct or indirect control over natural resources extraction, which was affirmed by respective laws. Gradually, in particular, in such large and rapidly developing countries as Brazil and Mexico, the state introduced a practice of indicative economic planning, creating, simultaneously, the public sector that embraced the capital-intensive branches of industry, such as steel production, heavy machinery building, energy power, chemical and petrochemical plants. Heavy industry as a whole had been treated not only as the base of national economies, but also as the symbol of well-being. For instance, Getúlio Vargas argued that 'the age of iron' had to mark 'the time of economic affluence', fetishising, thereby, heavy industry almost in the same manner as the Russian Bolsheviks did it. [Sodré N. Werneck, 1976: 277]. Growth of the public sector in Latin American countries during the ISI period has been proven by data of the public (state) investment in the gross domestic investment in fixed capital. The average continental public investment (as percentages of the total fixed gross domestic investment at current prices) reached 30.5 per cent in 1960 and 36.8 per cent in 1970, what was close to the respective indicators in the OECD countries. In particular, it was equal to 36.4 and 41.8 per cent, in 1960 and 1970 respectively, in Brazil, to 25.1 and 37.0 per cent in Argentina, to 41.2 in 1960 and 56.9 per cent in 1970 – in

¹² The manifesto of ISI is presented in the study by ECLA published first time in 1949 [CEPAL, 1998a: 131 et ff., esp.: 149-150] and in the programme work by Raúl Prebisch [Prebisch R., 1962: 1-22; Prebisch R., 1998: 65 et ff., esp.: 70].

¹³ Using the term '*El Estado desarrollista*' for an analysis of Latin American development, Cardoso and Faletto anticipated Chalmers Johnson [Johnson Ch., 1982: 10, 17, 51, 70 et ff.], who introduced it, studying a role of the state in Japan, for thirteen years.

Chile, to 38.2 in 1960 and 37.9 per cent in 1970 – in Mexico. [CEPAL/ECLA, 1981: 92]. This indicator essentially, by 1.6-2.0 times, exceeded the share of public (government) expenditures in GDP, because the state invested mainly in the capital-intensive state-owned enterprises of heavy industry and infrastructure that required a huge amount of resources.

The growth of the public sector in Latin America was complemented by the rise of the social insurance system, the introduction of labour laws, the establishment of minimal wage levels, mass education, health care, and other attributes of the welfare state, although they did not reach a level of the developed countries. (Only in Argentina and Uruguay, the social expenditures were comparable with the ones in western countries).

What were the general results of ISI in Latin America? Perhaps, the best indicator, which illustrates the accomplishments of Latin American ISI, is the ratio of the biggest continents' economies by GDP per capita to the average world level of this indicator (see table 2.1).

Table 2.1. The ratio of some Latin American and European countries' (including Russia/USSR) GDP per capita to the world average, 1929-1970

Countries	1929	1938	1950	1960	1970
France	2.47	2.30	2.33	2.55	2.92
Germany/FRG	2.30	2.67	1.91	2.89	3.03
Italy	1.61	1.69	1.53	1.98	2.40
Spain	1.56	1.05	1.07	1.17	1.84
United Kingdom	2.79	3.11	3.14	2.92	2.70
Russia/USSR	0.74	1.12	1.27	1.34	1.40
Argentina	2.32	2.12	2.23	1.90	1.84
Brazil	0.59	0.67	0.75	0.80	0.77
Chile	1.80	1.63	1.71	1.47	1.32
Colombia	0.80	0.96	0.93	0.85	0.78
Mexico	0.79	0.72	0.93	0.95	0.95
Peru	0.86	0.92	1.01	1.03	0.96
Venezuela	1.82	2.15	3.32	3.32	2.73
World in average *)	1.00	1.00	1.00	1.00	1.00

*) – Upon the base of 56 sample countries including 13 countries in the Western Europe, United States, Canada, Australia, New Zealand, 4 countries of the Southern Europe (Spain, Portugal, Greece, Turkey), 7 countries of the Eastern Europe (including the former Russian Empire and the USSR), 7 countries of Latin America, 11 countries of Asia, 10 countries of Africa.

Counted on: *Maddison A.*, 1995: 23-24, 212.

As it can be seen in the table, ISI allowed some Latin American countries to narrow the gap between them and the leading industrial nations of the West, but this gap was not abolished entirely. In addition, ISI did not deliver the continent from the external economic dependency on the western powers. This fact became evident already in the 1960s, being recognised by the most penetrating observers, who were not enchanted looking on the

formal quantitative indicators only. (See, for example: [*Sunkel O.*, 1969: 36-38].) Indeed, the import substitution strategy, particularly, in the conditions of Latin America, did not mean a movement towards economic autarchy, i.e. complete isolation of the national economies from the world market. By the way, even Stalin's regime in the USRR, realising a strategy of the import substitution more subsequently than the populist regimes in Latin America, did not cut the external economic ties with foreign countries. Moreover, in all these cases, whether it was the Russian, Brazilian, Mexican, or Argentine one, external trade became one of the necessary conditions of ISI.¹⁴

In ideal, ISI presupposed a creation of the completely closed, autarchic system that could supply *all* necessary resources and equipment for itself (it would be difficult to imagine how many investments should be required in this case!). However, in the real conditions of Latin America, a replacement of the imported consumer goods from the internal market by ones that had been manufactured at the national enterprises needed to maintain the imports of necessary equipment and machines. Therefore, respectively, a continuation of ISI was impossible without an increase of exports; otherwise, the required capital goods could not be imported. Over a long time, these exports as a whole remained the same as in the pre-industrial epoch, when a super-exploitation of the countryside with its pre-capitalist, archaic social-economic relationships enabled supplying an immense volume of agrarian, primary goods for exportation.¹⁵ Hence, the necessity to import machinery and

¹⁴ According to some estimation, in 1929-1932, about 75 per cent of all machinery and equipment for industrial plants in the USSR were imported from abroad. To 1940, this share diminished but not significantly, by 18-20 percent points. (Estimations by the Institute for Economic Forecasting, Russian Academy of Sciences).

¹⁵ "The industrialization of Latin America is not incompatible with the efficient development of primary production –, Raúl Prebisch wrote. – ... Primary products

equipment for ISI eternalised the backward exports' nomenclature and, thereby, had been convivial to the maintenance of obsolete, semi-traditional social-economic relationships in Latin American agriculture. Moreover, the populist regimes, even the regimes of Vargas in Brazil and Perón in Argentina that had very large social-political support, did not approach to radical agrarian reforms, which could break down the relics of the pre-capitalist relationships in the rural areas and would purge the social-economic soil for rapid capitalist development, enlarging, potentially, the internal markets. Thereby, a conservation of the countryside's backwardness, in combination with the active industrial policy of the state, aggravated an uneven development, and succeeded in the widening internal disparities and discordancies in Latin American societies. Thus, it was not surprising that the Brazilian historian Nelson Werneck Sodré compared the capitalist, industrial development of his country at that time to turning of 'the square wheel'. [*Sodré N. Werneck*, 1973: 84].

Actually, ISI reproduced the internal central-peripheral structure, although the latter appropriated some new aspects, linked not only to the central-peripheral structure of the world system, but also to the internal, regional industrial centres *inside* of Latin American countries. Consequently, ISI as a form of the catching up development in Latin America, this 'second war for liberation', created a situation of permanent structural crisis, which did not exclude the possibility of rapid growth but, in the future, set up obstacles to a further development of the continent.

Unfortunately, as it has been often in history, these obstacles were invisible over a long period and appeared to be seen when it was already difficult to cure the diseases and to correct the accumulated discordancies. It concerned either the former Soviet

must be exported to allow for the importation of the considerable quantity of capital goods needed." [*Prebisch R.*, 1962: 2].

Union or Latin American industrialising countries. For both 'heroes' of the XX Century catching up development, a period of the best achievements, preceded to one of the deep systemic crisis.





3. Realities and Illusions of the Successful Development, or Emergence of the Modernisation Trap

There was a time when, as it seemed, nothing could inspire politicians and academics for the negative, pessimistic evaluations of the both Soviet and Latin American realities, an obvious existence of various deficiencies and difficulties notwithstanding. Difficulties had been conceived and treated as 'inevitable obstacles' and 'costs' of growth that should be abolished sooner or later in the course of industrialisation. Meanwhile, industrial development itself became the source of new difficulties and problems, which consisted not only in the already mentioned reproduction of the internal central-peripheral structure of economy and society.

As it was said above, the cases of Soviet and Latin American industrialisation at the stage of take-off, despite differences as well as similarities between them, were to be considered in the concrete world context.

On the one hand, the fordist-keynesian model accepted after the war in all industrially developed countries, could not function without cheap resources, raw materials and energy supplied by the periphery of the world system. The ever-increasing consumption of broad masses of the western population had been sustained, in particular, due to the imports of consumer goods from the former colonies. Neither private capital nor political circles of the western countries could ignore the needs of periphery's development because, otherwise, it would be impossible to maintain an effective functioning of the expanding First World economies. It was fully explainable that development economics and development theory born after the

Second World War were offshoots of Keynesian policy-making. [Leys C., 1996: 19].

On the other hand, in the conditions of the Cold War, the development of peripheral countries became the political imperative for the West, though correspondingly to its proper interests, on reasons of the rivalry with the Soviet block, too.

Accordingly to the opinion of Eisuke Sakakibara, the Cold War "was nothing but a conflict between two extreme versions of progressivism – socialism and neo-classical capitalism. Both ideologies set a rapid increase and fair distribution of material welfare as their goal. ... The Cold War was nothing but another civil war within the West or, more precisely, within the western ideology of progressivism." [Sakakibara E., 1995: 8]. Because of the clash between 'two versions of progressivism', peripheral and semi-peripheral zones of the world system became the battlefields of both blocks for an enlargement of influence of each of them on developing countries. Obvious losses conditioned sometimes by an involvement of the periphery into the direct confrontation and devastating wars notwithstanding, the developing countries could derive a definite advantage from the global conflict between the First and Second Worlds because the situation of the Cold War broadened 'a window of opportunities' for development. In the early 1960s, "a developing country could choose between a menu *à la carte* of a dozen or so models to try and emulate. There were a number of variants of Western capitalism (US, Japanese, French, German, Swedish, etc.) There were different socialist models (Soviet, Chinese, Cuban and even a Yugoslav model) and individual Third World experimentations (Arab Socialism, Asian and Latin American models, etc.)" [Valaskakis K., 2002: 282].

Nevertheless, the broadening 'window of opportunities' for the developing countries had a reverse side. It coincided with the rapid

growth of world trade, the rise of transnational capital, and the structural transformations within western economies. Such tendencies of the world development initiated by changes and transformations in the core countries meant an emergence of new challenges to and stronger, direct and indirect, competition for both Latin America and Big Russia with the West. It seemed that a continuation of ISI was the only way to catch up with the economic leaders, abolishing internal and external vulnerabilities to the risen new challenges as well. However, still in the 1950s, Latin America faced a problem of availability of material, financial, and human resources for further industrialisation. It presupposed either an increase of the domestic investment rate at the expense of consumption, or an attraction of foreign investments and loans, which should be paid in future due to supposedly successful economic growth. The second variant was chosen as one of the pivotal principles of development policy in Brazil under the presidency of Juscelino Kubitschek (1956-1960). A realisation of this variant of development had been combined, on the one hand, with rapid growth of the public sector. On the other hand, the state continued protecting the internal market from external competition, but paid an insufficient attention to the problem of competitiveness of the national firms and the economy as a whole, in spite of the evident resumed growth of international trade after the Second World War.

At the same time, the existence of the internal central-peripheral structure, as a twofold result of the 'pre-industrial' development from the colonial epoch and that of the old system's conservation in countryside (see above), constricted the enlargement of the market and did not favour intensifying competition. Rural areas with the unemployed population supplied an immense mass of the labour force, cheap and non-pretentious that made the technological

innovations unnecessary for entrepreneurs; it was more advantageous for them to hire unskilled workers than to worry about the technological and managerial improvements.

It is worth omitting a description of details of the ISI economic mechanism to draw attention to some essential difficulties the ISI strategy faced still in the second half of the 1950s – the early-1960s.¹⁶

Firstly, from the social-economic point of view, an inevitable reproduction of division into the internal centre(s) and periphery did not (and could not!) contribute to resolving the unemployment problem. The social sharpness of the latter had been smoothed a little due to the large informal sector of the economy and to the insufficient level of production technologies that could not displace the most part of the employed in industry, while the internal market was narrow. In addition, attempts to imitate industrial achievements of the leading countries as well as the necessity to develop a heavy industry conditioned the capital-intensive type of industrialisation that had not been accompanied by the respective growth of employment. [CEPAL, 1964: 22-33].

Secondly, a continuation of ISI required importing semi-finished, intermediate goods, equipment, and tools in ever-increasing amount. It affected the trade balance and devalued the possible positive effects of import substitution. In particular, there was an opposite dynamics of the prices for goods imported to and exported from Latin America. From 1928-1929 to 1960, when the region's average income per capita increased by over 60 per cent, the real price of exports' unit, or the per capita purchasing power of exports, fell by over 50 per cent. [Conceição Tavares M. da, 1964: 3;

¹⁶ See about the characterisation of ISI as a whole and its limits: [Conceição Tavares M. da, 1964: 5-11; Conceição Tavares M. da, 1975: 44-58; Conceição Tavares M. da, 1998: 221-227], esp. about the case of Brazil – [Conceição Tavares M. da, 1964: 11 et ff.; Conceição Tavares M. da, 1975: 59-124].

Conceição Tavares M. da, 1998: 216]. It meant that the exports of Latin American countries were depreciating whereas a realisation of the ISI strategy presupposed purchasing imported equipment and other capital goods at relatively raised prices.

Thirdly, the imports of machinery equipment and intermediate goods for ISI required the maintenance of overvalued exchange rates of the local currencies. However, it meant that the exporters of traditional raw materials and agricultural goods were forced to purchase imported equipment at high prices and, hence, lost a part of their incomes in relation to those they could get in the case of equilibrium or undervalued exchange rate. Besides, overvaluation of the local currencies lowered the competitiveness of Latin American industries and, thereby, deprived them of additional market opportunities. [*Hirschman A.O.*, 1968: 26-27].

At last (but not least!), the limits of ISI were not only of 'purely economic' but also of social-political character. Even regardless of macroeconomic and trade balances, a continuation of ISI and the redistributionist policy of the populist state touched the interests of influential parts of the old social classes, above all, those of the 'modernised' oligarchy (and old middle strata), which were discontent with relative decreases of their incomes. [*Hirschman A.O.*, 1979: 72-78]. At the same time, the populist alliance of the national bourgeoisie, working class and urban poor had been eroded while an industry grew and these strata socially matured, hence their interests diverged from each other in an extending degree. [*Bresser Pereira L.C.*, 1984: 79-80].

From the point of view of the long-term world tendencies, the populist policy ceased to correspond to the new main trends that arose in the core countries. Above all, the policy of ISI under state guidance had not been accompanied by adequate efforts of the state and the business community aimed at respective human resources

development, definite achievements in mass education notwithstanding. (In this respect, Latin American ISI was similar to industrialisation in the USSR where, despite all accomplishments in science and education, much more fascinating than in any Latin American country, a significance of 'human capital' in large sense was underestimated, too, by the ruling 'nomenklatura'.) A poor quality of the labour force impeded the transition towards a new technological level of production, conserving social-economic backwardness even in the most industrially advanced countries of Latin America.

The problem of labour force quality was undistinguished from that of the social actor of modernisation as a whole. The path of ISI in Latin American conditions formed a definite type of entrepreneurs and managers. Many of them pertained, at the same time, to the old oligarchic clans and were enforced, by changed circumstances, to invest in industry using their wealth accumulated in the previous epoch. They were not (and could not become!) the modern entrepreneurs because of their linkage to the past. Nowhere in Latin America, the accelerated growth of national industry duly succeeded in the formation of 'the innovative mentality' among capitalists [*Cardoso F.H.*, 1972: 133-134], which would be capable to compete at the world markets and to resolve their problems through innovations. 'The captains of industry' and businessmen in Latin American countries could be fortunate entrepreneurs and managers within a framework of current business activity but they were unable to make non-ordinary innovative, technological breakthroughs. In the conditions of state protectionism, they preferred to obtain the governmental financement and/or 'special licenses for importation' instead of the real renovation of production technologies. Such entrepreneurs required to defend 'the national producers' from the external competition, but underestimated an importance of the

labour force quality and production process organisation. [*Cardoso F.H.*, 1972: 143-147]. Despite an evident impact of the rise of managerial capitalism in the core countries on development of Latin America (see above), 'the managerial revolution' was fully accomplished in none of the Latin American countries. For instance, still in the 1950s, when Brazilian industry boomed, the total productivity and effectiveness of the national manufacturing enterprises were low because of poor, obsolete management approaches. [*Wythe G.*, 1955: 44]. Only in the late 1960s, some positive changes and innovations in management began to diffuse into practice, but mainly at big enterprises pertaining to or tied with TNCs.

In the late-1950s – the early-1960s, the ISI strategy guided by the populist regimes came to their objective limits. Economic growth slowed, the structural imbalances could not be reduced without socially unpopular measures. In the end of the 1950s – the early-1960s, Latin America began to lose the competition with the West by the dynamics of economic growth. The average continental level of GDP per capita fell from 55.6 per cent in ratio to the West European level in 1950 to 41.5 per cent – in 1964. In particular that indicator decreased from 108.6 to 72.4 per cent in Argentina, from 162.4 to 116.9 – in Venezuela, from 51.5 to 43.9 per cent – in Mexico, from 83.2 to 57.4 per cent – in Chile, and from the level of 35.4 to one of 30.2 per cent – in Brazil. In ratio to the US GDP per capita, Latin American countries remained at the same level as in 1950 – 26.6 per cent in contrast to 26.7. (Counted on: [*Maddison A.*, 2001: 276, 277, 279, 288, 291]). The external debt that previously did not exceed a reasonable amount, began to grow, whereas the loans and foreign investments attracted for continuation of ISI did not yield the expected effect. The situation as a whole could be assessed as the deepening dissociation between economic growth and social

demands [Touraine A., 1988: 367] of both upper and low classes. In essence, it was the first crisis of catching up development upon the base of market relationships, but under state regulation in the XX Century. At the same time, it was the first 'call for changes' of the ISI model in Latin America that had seemingly completed its historic mission and should be essentially modified, correspondingly to the new challenges, internal and external as well. Notably, similar 'calls for changes' began to sound in the former Soviet Union where some springs and signs of the progressive tendencies, although weak and unclear, appeared in various spheres of society.

The emergence of these tendencies was intrinsically linked to an insistent necessity to solve the threefold task the country confronted in the 1950s, after the death of Stalin.

1) It was necessary to elevate the level of consumption of the ordinary people. Because of enforced industrialisation and wartime, this level was extremely low, staying beyond medical norms, and did not provide for the formation of a new labour force that could be engaged in the production process, which was complicating to a rising degree.

2) Besides objective imperatives of the industrial system to increase the standard of living of the population, also there were political motives to attain this social goal of the primary importance; it was necessary to strengthen the system of power and, in particular, to reduce the growing alienation of people from the authorities.

3) The global confrontation between two blocks and the Cold War dictated a definite 'logic of behaviour' aimed at attaining 'new heights' in the arms race. Moreover, due to the Yalta-Potsdam world order, the Soviet system enlarged its sphere of influence, and it meant the rise of new opportunities and new problems as well. Big Russia became responsible for maintenance of stability in Eastern

and, partly, Central Europe, thereby, she should have to spend additional resources to accomplish this mission. The control over tremendously large territories was very costly and could be held only through increase of its effectiveness.

These three problems could not be resolved simultaneously within the framework of the old Stalinist system, because a solution of each of these tasks contradicted one of the two others, so, it was absolutely necessary to search for new approaches to development in the changed internal and external conditions.

Furthermore, the arms race led to the creation of such kinds of weapons that a possibility of the direct military clash of two blocks became less and less probable due to the cause of the jeopardy of the reciprocal annihilation by the both conflicting sides. The increased probability of humankind's global suicide became an important factor restraining irresponsible military-political actions. This circumstance attributed new aspects to the Cold War that appropriated rather the peaceful dimension encompassing, in ever-extending degree, a competition between the two blocks in the social-economic sphere. Who could create a more effective economy, achieve and demonstrate a higher standard of life of the ordinary people, and sustain broader opportunities for individual self-fulfilment and expression of human capacities? These questions became increasingly important for both confronting blocks. A demonstration of proper achievements by competing super-powers and their allies in the social sphere turned into an indistinguishable element of the *modus vivendi* for each of them.

Obviously, the Soviet system could respond to the new challenges only upon the base of essentially renewed productive forces, but a renovation of the latter was impossible without a new quality of the labour force that presupposed, above all, an increase of the life standard of most people. Actually, the Soviet system (as

well as the economies in Latin America) fell into a vicious circle: it could not increase their standard of life without an elevation of the economic effectiveness upon the base of new technologies while an implementation of new technologies required the training of skilled workers and professionals. However, a solution of this task was incompatible with people's consumption at the level of physical subsistence, what had been the inevitable consequence of the country's militarisation. It was necessary, resolving the given contradiction, to revise the proclaimed priorities, otherwise, the Soviet industrial system should slip towards a deep structural crisis, which could appropriate the permanent character.

Thus, either the Soviet, purely functional model of development, or the Latin American one that combined developmental functions of the state and essential features of 'the classical', private property capitalism, initially *dependent*, faced similar problems almost at the same time. In particular, both regions should overcome (or had to be delivered from!) the proper heritage of 'conservative modernisation'.

The year 1964 was the turning point for the Soviet Union and Brazil, the largest country of Latin America. Namely, in 1964, conservative political forces dismissed Nikita Khrushchev, the Soviet leader, and João Goulart, the Brazilian president; and both were the last sincere populists in power. (Also, it is worth to draw attention to the fact that both dismissed leaders were accused almost of the same 'vices': voluntarism, neglecting of the 'scientific approaches' to rule, misunderstanding of the objective character of economic laws, etc.).

Both the former Soviet Union or Brazil (and some other Latin American countries as well) faced rising problems as a result of their preceding development, combined with neopatrimonial structures, inherited from the past and a semi-modernised, semi-traditional

social consciousness. In the first half of the 1960s, the indispensability to change the model of development became evident for dissenting as well as conservative circles in both cases. The former wanted 'to move forward' – to the Left in the political sense, the latter suggested 'to strengthen order' and then to move to the Right, realising a strategy of new modernisation.

In Brazil, as result of the bloodless *coup d'état* on March 31-April, 1, the authoritarian regime was established. It was the regime of a new type, *military-bureaucratic authoritarianism*. [Cardoso F.H., 1977: 24-25, 50-82; Cardoso F.H., 1979: 33-57; Collier D., 1979: 19-32; O'Donnell G., 1979: 285-318].

Headed by army generals, historically tied to the old trade-agrarian elite, the regime, at the same time, had been supported by a part of the cosmopolitan bourgeoisie and influential groups of the civil bureaucracy (technocrats) initially linked to the oligarchic clans.

The ideology of the established authoritarianism was rooted in conceptions that had been elaborated by military-political analysts of the 'Sorbonne' – the *Escola Superior de Guerra (High War College)*. The leading conception was that of 'national security' adjusted correspondingly to the requirements of economic modernisation. It sounded as a slogan '*segurança e desenvolvimento*' ('*security and development*') and later was borrowed, with insignificant modifications, by the military-fascist juntas in Chile (A. Pinochet since 1973) and Argentina (J.C. Onganía – R.M. Levingston – A. Lanusse in 1966-1973, J.R. Videla – R. Viola – L. Galtierri in 1976-1983).¹⁷ Accordingly to the 'security and development' doctrine, the nation should be defended from 'subversive activity' of the external and internal enemies – from World Communism and Marxism, which infiltrated into Latin America. Since people were paralysed by the

'social institutionality' (i.e. the democratic institutions) and had lost their vigilance –, this doctrine taught, the army should have to fulfil a function of political leadership of the state fighting against the enemies of the nation. [*Briones A.*, 1978: 305-306; *Macedo Soares Guimarães J.C. de*, 1981: 87-95]. The first member of this binomial, 'security', was interpreted as a 'factor of production', the most important condition of development, whereas the second one, 'development' – as a premise of national security. The latter had become an *idée fixe* of a big part of the ruling elite and the US politicians, who assisted, directly or indirectly, the military coup. (Lincoln Gordon, the US Ambassador to Brazil in 1964, accomplished the mission of 'the supervisor for the event'.) Indeed, they were worried looking at the growing social-political instability in Brazil and intended to prevent the 'Cuban variant', i.e. the Leftist revolution in the largest country of Latin America. A fear of a 'new Cuba' was widespread among the top strata of the continent, and the US politicians played a definite role in taking the decision to dismiss the legally elected president of the country, ignoring the Constitution. [*Bresser Pereira L.C.*, 1977: 118-121, 153-155; *Bresser Pereira L.C.*, 1984: 82-84, 109-111; *Skidmore Th. E.*, 1967: 223-228, 253-256, 322-330; *Skidmore Th. E.*, 1973: 3-5; *Skidmore Th.*, 1988: 3-4, 12-17]. (By the way, as the US president Richard Nixon said later, in 1972, appealing to his Brazilian colleague, general Emílio Garrastazu Médici, "the way, which Brazil will follow, will trace the development direction of the rest of the continent".¹⁸ (Quoted on: [*Gilbert I.*, 1973: 23])). The US could not admit the possibility to lose Brazil, because it would mean the loss of Latin America as a whole.

¹⁷ The regime established in 1966 in Argentina was more 'traditional' and less 'modernisational', oriented towards interests of the old classes (oligarchy) to more degree than that in Brazil. [*O'Donnell G.*, 1973: 154-165].

¹⁸ «Nous savons que la voie que suivra le Brésil marquera la direction du reste du continent».

Respectively, the leaders of the Brazilian regime pretended contributing to the defence of 'the Atlantic security' from 'enemies of the Free World'. [*Couto e Silva, G. do*, 1981: 33; *Meira Mattos C. de*, 1975: 74].

At the same time, the leaders of the new regime understood that the best way to oppress 'subversive elements' is to erode their social soil, the poverty and backwardness of the large masses of the population, i.e. to build a Brazilian model of mass consumption society. They proclaimed a course towards a new modernisation as their strategic goal. Interpreting the *coup d'état* as a revolution (the Revolution!), the leaders and ideologues of the regime focused on the issue of the country's accelerated development. "...Development is the axial piece of the Brazilian revolutionary process... -, wrote general Carlos de Meira Mattos. - ... the mission of the Revolution of March 31 consists in carrying Brazil to attain in 2000 her place among the most developed nations of the globe. [*Meira Mattos C. de*, 1975: 102, 103]. Simultaneously, the regime promised a radical 'social transformation' of the country through a "broad diffusion of the results of economic progress". [*Simonsen M.H., Campos R. de Oliveira*, 1974: 71].

Nevertheless, as it is known, the designed goals may be very far from the real purposes of those, who proclaim them. One of the main purposes of the new rulers was a 'new edition' of the conservative modernisation, with focus on advantages of the elite groups. In other words, this regime attempted to adjust the essentially old but, in some respects, already modified social structure and new tendencies of world development, which affected Brazil, to each other.

Any industrial modernisation presupposes the growth of investments. In this respect, modernisation initiated by the military-bureaucratic authoritarianism in Brazil was not an exception from the

rule. The gross domestic investment rate as percentage of GDP increased in the country from 22.0 per cent in 1965 to 23.5 – in 1970 and then to 32.4 per cent (!) in 1975 with a subsequent small decrease to 30.2 per cent in 1978. [CEPAL/ECLA, 1981: 57]. It was the result of the regime's policy, aimed at stimulating the accumulation of capital due to its taxation policy, inflow of external loans, FDI, and increased rates of profit. The latter raised because real wages and salaries of the low working strata were restrained through the repression of the trade unions and the Left political organisations. Furthermore, in contrast to the populist regimes, the military-bureaucratic authoritarianism did all possible for the *demobilisation of the masses* and applied exceptional efforts to maintain the apathy of various social groups. In addition, as F.H. Cardoso noted, it (the regime – V.K.) was "afraid of the mobilisation of followers even if these could be recruited from the middle, rather than from the lower, strata of society. [Cardoso F.H., 1978: 5]. The regimes, established in *el cono sur* (the South cone) of Latin America, consciously emphasised the propaganda of the ideas of individualism and individual success, particularly, among the lower social groups. Such practice should have to accomplish a twofold function: to modernise the consciousness of people, and, simultaneously, to destroy all 'relics' of mass solidarity that could facilitate the resistance to repressive policy.

Certainly, it did not mean that the authoritarian regimes underestimated or neglected the significance of social support. For example, the regime in Brazil attempted primarily to improve the conditions of the upper and upper middle classes – those people, who seemingly played an essential role in the process of development, mainly in the new branches of the economy, and, who were directly interested in the structural shift towards a mass consumption society. Instead, the model of development that had

been realised by the regime in Brazil was the modified variant of ISI, but oriented toward augmenting the output of durable consumer goods for the advantage of the upper and upper middle classes [Carneiro Vieira J.P., 1976: 846-854], which dreamed to obtain the level of consumption of the same social strata in the West. What concerned the poverty problem, the regime, either sincerely or demagogically, hoped for 'the invisible hand' of the market that should indispensably provide the yields of economic growth for the poor.

Meanwhile, there was, probably, an intrinsic truth that military and civil leaders of the established regime in Brazil interpreted the *coup d'état* of March 31, 1964, as "the Revolution". Indeed, it symbolised a re-orientation of the Brazilian state and its development policy towards the upper classes, so this event could be treated as the revolution of the rich directed against the poor. In this respect, the Brazilian authoritarian modernisation anticipated 'the neo-conservative turn' in the West that began twelve-fifteen years later.

In practice, the economic policy of the regime, which presupposed selective (but not complete!) liberalisation of the economy, external trade and finances, had been combined with state regulation, growth of the public sector (!) and the attraction of foreign direct investments. These measures should aid promoting the exportation of manufactured goods instead of the primary ones. [Furtado C., 1972: 38-39, 54-55].

The alliance of military circles supported by 'the advanced' part of the oligarchy and the top civil bureaucracy (technobureaucracy!), on the one hand, and TNCs, on the other, made up the social skeleton of the Brazilian system in 1964-1985. In this system, national private capital accomplished a function of a complementary element and was of secondary importance. (A similar alliance of the national

developmental state and TNCs seemingly emerged in Malaysia and Indonesia, or earlier, but to a lesser degree, in Singapore as well, where strong state regulation stimulated an inflow of FDI into new enterprises and branches, oriented to the external market.)

The emergence of the alliance of military-bureaucratic authoritarianism and TNCs as well as its significance in the process of modernisation of Brazil could be understood only in the concrete context of tendencies, which arose in the core, industrially developed countries in the 1960s-1970s. Certainly, it would hardly be correct to explain the authoritarian modernisation in Brazil or somewhere else referring to those tendencies only, as some Leftist observers did.¹⁹ There were also the proper, internal backgrounds and the insistence on the new industrial modernisation in Brazil and some other Latin American countries as well, including both the technical base and human capacities, although deficient, accumulated in the course of ISI. However, there was not doubt concerning the role of foreign, transnational capital in the process of transformation, initiated by the military-bureaucratic regime.

This process as well as the tragic events in Chile (1973) or Argentina (1976) were, to a big degree, one of the consequences of the decline of the fordist-keynesian social-economic model in the West. In the second half of the 1960s, this model confronted difficulties arisen as results of its proper functioning. Maintenance, not speaking about an enlargement, of the effective demand, the alpha and omega of Keynesianism and social-reformist policy, presupposed a raise of salaries and wages, what affected the western economies as a whole succeeding to the profits squeeze and

¹⁹ Cf., for example: "...Dependent development is viable only if it has support from the larger system of imperialism. The entire success of the dependent development is predicated on multinational willing to invest, [and] international bankers willing to extend credit." "...The Brazilian model cannot survive without its allies from the center." [Evans P., 1979: 290, 329 – quoted on: Deyo F.C., 1987: 14, 15].

falling general effectiveness. This circumstance gave the foundation for arguing the crisis of fordism. [*Lipietz A.*, 1983: 758-764; *Lipietz A.*, 1986: 40-42]. The deterioration of the environment (air pollution, acid rains, and other similar 'inconveniences') aggravated the negative trends of late-industrial capitalism and required searching for new ways of development.

At last, the crisis of fordism-keynesianism had also a social-cultural dimension that was conditioned by changes of labour force quality. In particular, it was an extending discordancy between the monotonous character of assembly line labour, on the one hand, and labourers' requirements to broaden 'a space for self-fulfilment' in the process of labour, on the other hand. [*Gyllenhammar P.G.*, 1977: 9-10].²⁰ In addition, due to the welfare state, the significance of labour incomes decreased while that of the pensions, stipends, etc., became more important than wages and salaries. [*Rousselet J.*, 1974: 48 et suiv., 165-168; *Carton M.*, 1984: 19-25]. It undermined the labour ethics, one of the basic social-cultural foundations of capitalism. (The attempts of big corporations to resolve these problems by 'traditional' economic means, raising wages, did not prevent a fall of the economic effectiveness as a whole.)

Capital, searching for ways to sustain economic effectiveness on the global scale, sought (and found) zones, where minimally suitable conditions for profitable investment already existed, mostly in the semi-periphery. One of the main such conditions was the existence of a relatively cheap but sufficiently skilled labour force, capable to work at assembly lines. [*Lipietz A.*, 1986: 66-69]. The development

²⁰ "By its nature, routine factory work has no correlation with what we seem to offer people in the educational system. Until they are eighteen or so, students are encouraged to learn about ideas, sciences, history, literature, languages, art, and music and to develop some related skills as well. Many go to university with the idea that it will improve their job chances. Then from eighteen, or twenty-two, to sixty-five, we expect them to do exactly the same thing for eight hours a day, minus coffee breaks, sick leave, holidays, and strikes." [*Gyllenhammar P. G.*, 1977: 9-10].

of transportation and communication means undoubtedly favoured such a replacement of some manufacturing industries towards the periphery of the world system. Thus, the new international division of labour began to emerge through the accelerated industrialisation of some Third World, developing countries, as a rule, under the guidance of authoritarian or 'semi-authoritarian' political regimes, which provided 'a favourable investment environment'. Therefore, the crisis and decline of the fordist-keynesian (late-industrial) 'economic engine' in the West facilitated, at least, indirectly, the new round of catching up development at the periphery and the semi-periphery. This development became intrinsically integrated into the global capitalist development on the eve of the decline of late-industrial capitalism. Hence, it was not surprising that the accelerated industrialisation of Brazil under the military-bureaucratic regime (the post-ISI or new phase of ISI) was called 'associated-dependent development'. [*Cardoso F.H., Faletto E., 1970: 135, 144-150; Cardoso F.H., 1973: 144-149; Cardoso F.H., Faletto E., 1978: 150, 159-164*]. Either several enterprises or entire branches of the industrial economy had been replaced from the West to the East (see below) or Latin America, where the costs of production, whether at the local or TNCs' enterprises, were lower than in their 'native', western countries. (See: [*Fröbel F., Heinrichs J., Kreye O., 1980: 44 et ff., 63-64, 90-96, 106-131, 222-226, 339-364; Fröbel F., 1983: 108-114*].) In essence, it was the same process as the practice to hire 'gastarbeiters' from the North Africa, Turkey, Middle East, Spain, Portugal, and Yugoslavia, widespread in the 1960s in some developed OECD countries. [*Hersh J., 1993: 47*].

The given restructuring of the world economy could be interpreted as the consequence of Kondratiev cycles in the core countries for peripheral and, particularly, semi-peripheral ones. In brief, when the first echelon countries stayed on the eve of phase B

(decreasing) of the fourth big cycle, Latin American industrialising countries came to phase A (increasing) of the same cycle. [*Briones A.*, 1978: 45-55, 108-118; *Pérez C.*, 2001: 115-136, esp. 128-131]. Certainly, it would be erroneous to think that the new stage of industrialisation in Brazil or Mexico in the 1960s-1970s had been exactly the same process that previously took place in the US or France but with retardation for twenty – twenty-five years. Besides this evident retardation, there were many other factors, including internal ones, which influenced on dynamics of the long waves at the semi-periphery of the world economy. [*Bobrovnikov A.*, 2002]. Nevertheless, there was no doubt about the impact of the long-term cyclical dynamics, when signs of the crisis of the fordist-keynesian system in the centre appeared, on the development of Latin America.

What were the yields of modernisation proclaimed by the military-bureaucratic regime in Brazil and assigned to be a pattern for other countries of Latin America and the Third World?

On the one hand, the authoritarian modernisation in Brazil enabled to attain some undeniable achievements. In 1970-1980, the annual rate of growth of the country's GDP was 8.7 per cent, or 6.1 per cent per capita – the fastest rate in Latin America. [*CEPAL/ECLAC*, 1993: 68-69]. The regime policy promoted the rise of new manufacturing industries (aircraft, electronic, nuclear energy, power). The regime supported and intensified scientific research, improved national higher education, reduced mass illiteracy, although to an insufficient degree because it emphasised mostly tertiary (elitist) education. The share of illiterate people (in age of 15 years and more) decreased from 34.1 per cent in 1970 to 25.5 per cent in 1980 and then to 19.7 – in 1987. (Counted on: [*IBGE*, 1989: 197, 201].) Poverty in Brazil diminished by 10 per cent points – from 49 per cent of all households in 1970 to 39 per cent in 1979 (in Latin

America as a whole – from 40 per cent in 1970 to 35 per cent in 1980). [CEPAL/ECLAC, 1993: 45]. Finally, under the military-bureaucratic rule, the structure of Brazilian external trade changed in positive direction: the share of manufactured goods increased from 2.2 per cent in 1960 to 41.4 per cent in 1984 (the last year of authoritarianism). Respectively, the share of primary goods in national exports fell from 97.5 per cent to 58.5 per cent – it was the best dynamics of this indicator in Latin America. [CEPAL/ECLAC, 1987: 183-184]. At last, the regime, not touching essentially the system of *latifundismo*, approached, nevertheless, to the modernisation of the agrarian sector of the economy, the significance of, which had been neglected under the populist governments at the ISI stage.

However, obvious achievements of the authoritarian modernisation in Brazil (not speaking about other countries of the Southern cone where the authoritarian regimes were established, too) were of excessively high cost. They had been accompanied by the fast growth of external indebtedness – free capitals, over-accumulated in the developed countries had been offered as loans to the regime to invest for 'the future accomplishments'. While the country's GDP increased 2.7 – 2.8 times over the period of 1965-1980, the public external debt augmented from 2 067.9 million US dollars in 1965 to 9 302.9 million – in 1975, i.e. 4.5 times. The total external debt (i.e., including the private and corporate debts) increased from 52 285 million dollars in 1978 to 70 025 million in 1980 and, then, to 101 920 million dollars in 1985, or almost two times for seven years. (Counted on: [CEPAL/ECLA, 1981: 54, 316-317; CEPAL/ECLAC, 1987: 143, 514-515]).²¹ (In the opinion of

²¹ The petroleum prices shock of 1973-1974 negatively affected the Latin American countries that imported petroleum. It slowed the growth of their economies but did not cease it at all. Moreover, the growth of Latin America as a whole continued though it was a little slower than in 1965-1974. The exports increased, too, and a

Fernando Henrique Cardoso, the skyrocketing growth of indebtedness but not the regime's activity itself was the genuine reason of Brazilian 'miracle' in 1967-1974. [*Cardoso F.H.*, 2004: 9].) It restrained the opportunities for investment in the future and deprived the 'miracle' of its sustainability. Furthermore, there were also such internal obstacles, probably, the most essential of all ones, to achieving the proclaimed goals, the elitist character of modernisation policy. The latter was fruitful mostly for the upper and upper middle strata, whereas neither mass poverty nor the large zones of backwardness, particularly, in the North and Northeast (the developmentalist efforts of the state in these areas notwithstanding) were abolished. These zones remained to be suppliers of the cheap labour force for industrial areas of São-Paulo, Santa Catharina, or Minas Gerais in the South. The regime did not intend to initiate a real agrarian reform, which could destroy the dualism of *latifundias* (the big landlords' ownership) and *minifundias* (the small parcels of peasants' property) in the countryside. Obviously, it conserved obstacles to the enlargement of the internal market and restrained the growth of consumption of large contingents of the working people. In its turn, the low level of consumption of most of the workers and peasants impeded the training of a contemporary labour force that should be corresponding to a mass consumption society.

In addition, the regime's modernisation policy, which presupposed the concentration of resources, human, material, and financial as well, in prior, selected branches of the national economy inevitably succeeded in a deficit of resources in other spheres. Thereby, the authoritarian modernisation by itself reproduced the

deficit of the trade balance because of the surged petroleum prices had been covered thanks to the external loans. Perhaps, in the second half of the 1970s, the TNBs began to play the more important role in development of the continent than the TNCs whose business was manufacturing production. This shift towards TNBs anticipated the raise of external indebtedness in the 1980s.

internal central-peripheral structure of the Brazilian economy and society. Moreover, the augmenting misbalance between rapidly developing branches and regions, on the one hand, and backward areas, on the other, had been a permanent factor that influenced the pace and direction of the country's modernisation, which actually meant *desarrollo excluyente y concentrador* (excluding and concentrating development) [Hirschman A.O., 1979: 79-80]. Eduardo Galeano had all foundations to note that the development is a banquet with few invited though its splendour has been cheating and the principal plates have been reserved for foreign jaws. [Galeano E., 1971: 436].

The attempts to realise a strategy of new modernisation under guidance of authoritarian regimes in Argentina, Chile, and Uruguay were else more mournful than in Brazil. The military-fascist junta of J. Videla, by the way, one of the best 'friends' of the Brezhnev regime in the Western Hemisphere except Fidel Castro, because it sold wheat to the Soviet Union, entrusted the task to 'modernise' Argentine industry to the civil minister of economy, José Martínez de Hoz, who accomplished this 'honourable mission'. When the military regime in Brazil built up fundamentals of the national electronic and computer industry, the output of electronics' components in Argentina had dramatically fallen from 1974 to 1983 by 91 per cent, i.e. declined completely. A number of engineers in electronic industry of the country decreased by 49 per cent over five years, from 1978 to 1983. [Nochteff H.J., 1995: 164]. These and similar 'achievements' had been combined with widespread tortures, exiles of opponents, and – as crown of 'deeds' of the junta – thirty thousand *desparecidos* (disappeared) without whatever traces.

In Chile, the neoliberal social-economic policy of Pinochet junta was shockingly devastating, too. As a direct outcome of the bloody coup d'état of September 11 (!) in 1973 and repressions in respect

to the Left parties and trade unions, the real wages were cut by 2 times from 1971 to 1975 and then raised slowly reaching the level of 1971 only in the 1990s. [*ECLA*, 1984: 29; *ECLA*, 1993: 89]. Simultaneously, because of economic ultra-liberalism, industrial employment fell from 555,000 persons in 1973 to 378,000 persons in 1983 (the year of depression); a slow recovery had raised this figure to 449,000 in 1985. [*Hirschman A.O.*, 1987: 15; *Dos Santos Th.*, 1999: 514]. At the same time, over the while of 1975-1985, GDP grew very unevenly and increased by 40 per cent only. (Counted on: [*CEPAL/ECLAC*, 1987: 300-301].) A part of GDP, national industry, produced in 1982, had fallen to that of 1967 in its absolute magnitude, and, as a percentage of GDP, it corresponded to the level of 1950. [*Dos Santos Th.*, 1999: 514]. It might be that the only positive result of the dictatorship's economic policy – among 'a heap of ruins' – was the complete destroying of personal ties between business and authorities and a separation of property from power, a combination of, which with the former in various forms was an undistinguished element of ISI and created a base for systemic corruption. In addition, it is worth to note that after the deep crisis of 1981-1983 A. Pinochet, the admirer of 'free market's operation' under muzzle of the machine-gun, dismissed the shamefully failed team of the 'Chicago boys' and appointed Hernán Buche as minister of economy. Under his guidance, 'the macroeconomic programme' was elaborated aiming at 'thin support' of the export-led growth by means of state regulation. However, it was growth, based upon partial modernisation of old, technologically non-advanced branches of the economy.

* * *

Probably, the concept of the military-bureaucratic authoritarianism proposed by G. O'Donnell, F.H. Cardoso or D. Collier and applied to the repressive regimes in Brazil and some other Latin American countries, could be relevant to characterise the rule of Brezhnev in the USSR, although, of course, with stipulations concerning its social nature. After the decade of 'political thaw', the ruling nomenklatura, having fear of democratisation that might jeopardise its power and privileges, decided 'to freeze' the country intending 'to eternalise' the Stalinist system, but without mass repressions. Moreover, the uprising of workers in Novochoerkassk (summer of 1962) oppressed by the mass massacre of protestors indicated the growing estrangement of ordinary people and the ruling stratum from each other as well as the rising fear of 'nomenklatura' in front of the masses, whose fear began disappearing. Therefore, it was already impossible for the Soviet 'rulers' to hope for repressions only. It was clear that the situation required searching for new ways to govern in the changed conditions.

In the Soviet Union, the maintenance of the macroeconomic equilibrium when the labour force became, to an increasing degree, one of the scarce resources, presupposed the exchange of labour for energy resources, or, in other words, the gradual replacement of labour-intensive technologies by energy-intensive ones. In the technical-economic respect, such replacement enabled to solve simultaneously all three strategic tasks mentioned above, at least, for a medium-term. An involvement of the fuel resources, mostly from West Siberia, into economic turnover became one of the props for economic growth in the conditions, when the Soviet system had not been transformed. Probably, if the country would not have innumerable natural resources, the ruling circles should be obliged to

initiate reforms, approaching to a gradual, regulated 'creative destruction' of the system in the 1960s- early 1970s. Then the all-Union Prime Minister Alexey Kosyguin could become the Russian Deng Xiaoping, anticipating the great Chinese reforms for a decade. But this variant did not occur, because the most part of the nomenklatura was not interested in reforms (except those, which corresponded to its intentions!) and resisted any attempt to change the system. It expected to compensate the growing difficulties by the exploitation of the discovered gas and petroleum fields. Furthermore, contribution of the Soviet Union to 'the struggle for the New International Economic Order', in particular, the raise of petroleum prices in 1973-1974, bore an illusion of well-being, which concealed the real problems.²²

Due to the structural changes in the Soviet industrial system over the 1950s-1960s, this system in the early-1970s economically depended on: 1) an inflow of the primary, mainly fuel, resources; 2) a supply of capital goods, a technical/ technological backwardness of, which conditioned the ever-extending demand for basic resources. Such 'model of growth' succeeded in increasing production costs and diminished the amount of resources, available for technological innovations. The necessity to increase output, mostly in the so-called basic branches of industry, undermined the equilibrium between different sectors of the economy. It aggravated the permanent deficit of all goods, both capital and consumer, and succeeded in the rise of a situation, which can be called "the structural-investment funnel" when only few resources were

²² To the sorrow of many 'fighters for justice', attempts to establish the New International Economic Order that should be based on 'the fair trade' between the core and Third World countries failed, partly because of resistance of the West, partly as a consequence of the new technological revolution [Inozemtsev V.L., 2001: 322-326], which depreciated the exports from the Third World.

available for the needs of civilian goods industries.²³ Namely, the maintenance of 'the imbalanced equilibrium' (or 'the balanced disequilibrium'?) required an attraction of additional resources for acquiring new resources (so, the Soviet economy looked as the system of production for production regardless to the real needs of the people). An acuteness of the "structural-investment funnel" situation had been redoubled as a result of the extending appetites of the military-industrial complex that attracted an immense amount of resources of good quality and, in essence, made up the core of the Soviet industrial system as a whole. An illustration of those appetites had been the super-secret decision taken by Politburo of the Central Committee of the CPSU under Brezhnev in 1974. Accordingly to this decision, the USSR, together with its satellites in the Warsaw Pact, whose real weight compared to the Soviet one was of small importance, should have to exceed all countries of NATO plus Japan and China, too, by military-industrial capacity up to 1990. Obviously, it was a crazy decision that did not correspond to the real economic potential of the country, and the declared goal could not be attained at all, but attempts to do it, particularly, in the conditions of the mentioned structural-investment misbalance, wasted the Soviet economy. The hyper-militarisation, when defence expenditures had grown from 1965 to 1982 by 70 per cent at constant prices of 1982 (counted on: [*Steinberg D.*, 1990: 685-686, 689]) and reached 20 per cent of GNP [*Ibid.*: 695-696] inevitably led to an enlarged reproduction of the internal central-peripheral structure of economy. In this respect, the Soviet situation resembled the one that existed in Latin American societies, evident differences between them, mostly in the sphere of techniques, science and

²³ A priority in elaboration of the concept of structural-investment funnel, which is used here, belonged to the Soviet/Russian academician Yu. Yaremenko (1935–1996) and his successors from the Institute for Economic Forecasting (Russian Academy of Sciences).

education notwithstanding. Moreover, the Soviet authorities consciously conserved the existence of the central-peripheral structure because it became a necessary condition of macroeconomic and social stability. Simultaneously, they manipulated socially retarded groups of the population, indulging their work of poor quality, deviant behaviour, if it did not exceed beyond the penal code, and widespread alcoholism.

Nonetheless, there were also some peculiar features of the Soviet central-peripheral structure of economy and society, which distinguished it from the one, which existed in Latin America. In the latter case, particularly, in Brazil, a division of the economy and society into centre and periphery was mostly linked to the territories (regions), whereas in the case of the former USSR, such a division was mainly conditioned by inter-branch differences – between the military-industrial enterprises and R&D centres, on the one hand, and 'the rest', on the other hand. Certainly, a concentration of various segments of the Soviet industry in different regions was uneven: some territories pertained mostly to the internal centre(s), while the others belonged rather to the peripheral zones.

The existence of the central-peripheral structure of the Soviet society led to a permanent re-emergence of the following dilemma: either to smooth an internal diversity, reducing the gap between the centre and periphery through a slowdown of the growth rate, or to accelerate development, supporting the advanced sectors while the exploitation of the internal periphery would be strengthening and, therefore, the social-technological gap should be widening. However, really, the structural crisis that pierced the Soviet system had been deepening, but its overcoming was postponed for 'better times'. Such postponement was a kind of political opportunism, which would be impossible without the use of 'compensating levers'. One of them was external trade, which played an important role in the Soviet

industrialisation even in the period of Stalin rule (see above). The Soviet Union exported raw materials, fuel, and agricultural products importing advanced machinery equipment and some consumer goods that enabled to diminish their deficit and to upgrade the material base of industry. External trade looked as the substitution for or the addition to investment in the reconstruction of several leading branches of the Soviet economy. It helped to economise the resources, which, otherwise, should be invested in the economy. But, evidently, the Soviet external trade was not isolated from the whole Soviet system and the world market as well. It was worsening by its structure, while the Soviet industrial system suffered augmenting difficulties. For instance, the share of fuel and electric energy in total Soviet export increased from 15.6 per cent in 1970 up to 52.3 per cent in 1982 whereas that of machinery and equipment decreased from 21.5 to 12.9 per cent, respectively. [*Narodnoye khoziaystvo...*, 1981: 540; *Narodnoye khoziaystvo...*, 1983: 535].

The other lever, which had been used to compensate the misbalance between the internal centre and periphery in the USSR, was the existence of this periphery as itself. In the 1950s-1960s, vacant working places of low social status, with hard, unsuitable conditions of labour had been offered to people, who migrated from the countryside and small towns. It was the same process of migration from the internal peripheral zones to the industrial centres as the one, which took place in Brazil and the other industrialising countries. These flows of labour resources, as a rule, of poor quality with respective level of education and intelligence, favoured the conservation of such jobs with low wages and an obsolete, inhuman practice of management. They did not stimulate technological innovations and the improvement of the production process organisation. Thereby, the internal periphery reproduced itself and,

at the same time, the socially marginalized type of labourer, dependent on the state, namely, on authorities at all levels of society, but inclined to negative, anti-social and even criminal types of behaviour.

Nevertheless, a big part of the ruling nomenklatura had been oriented to the socially backward social-professional groups – it was a form of quasi-populism and political demagogy. These groups were sufficiently numerous, so their preferences and inclinations might implicitly influence on the situation in the country. In particular, even on the peak of Soviet power, the share of manual, unskilled workers reached 40 per cent of all employees in industry, 55-60 per cent – in construction, and 70-75 per cent – in agriculture. [*Narodnoye khoziaystvo..*, 1987: 109]. At the end of the 1960s, 38 per cent of the total labourers in the Soviet economy were occupied at jobs of pre-industrial and early-industrial, poorly mechanised type, and only 13 per cent were employed in the sphere of high-tech, 'scientific-industrial' production. At the beginning of the 1980s, the share of the former category decreased a little, by 3 per cent points (to 35) while that of the latter did not change at all. [*Gordon L.A., Nazimova A.K.*, 1985: 102-112, 123, 130]. Such a 'dynamics' of the labour force's structure witnessed to a stagnation of the economy. Meanwhile, under Brezhnev rule (1964-1982), the incomes of low social-professional groups increased much faster (they had grown two times for urban manual workers and three times for peasants over this period) than those of professionals (university professors, scientists, engineers, etc.), which did not change essentially since Stalin's death. This social-economic policy had been performed as an assistance to the poorly waged workers, who were interested in conservation of the obsolete economic structure.

Correspondingly to the stagnating economy, a definite model of consumption emerged in mid-1960s. Its main features were the following:

- the primary needs (in food, clothes, lodging, although the latter was often of poor quality) had been satisfied whereas consumption of services and durable goods remained at a low level;

- incomes and consumption patterns were insignificantly differentiated, being centred around those of the mass middle stratum with unified standards of life;

- the system of social services and benefits (healthcare, mass education, pensions, and so on) was extended most of the population, and the access of ordinary people to this system did not depend on economic relationships; and the state guaranteed such an access to social services almost for all groups of the population, including those of the low social status. Certainly, the quality of these services was not equal for all groups. Nevertheless, none social group was deprived of access to social services and benefits at all.

Did the Soviet model of consumption exclude mass poverty in the USSR? No, it did not, despite the egalitarian policy of authorities regarding incomes and social benefits distribution. Certainly, Soviet officials did not recognise the existence of poverty problems and spoke about the 'low-waged workers' in combination with the word 'still', and the statistical data directly concerning this issue were not available. Nevertheless, there were some data and publications, including official ones, which could clarify what the real situation was. Analysing them, the British sociologist Mervin Matthews concluded that the total share of poor households in the USSR in the mid-70s (in the best time of the so called 'real socialism') reached 40 per cent of all families [Matthews M., 1986: 23-24, 27-28]. It corresponded to the Latin American (in particular, Brazilian) level of

poverty and depreciated all achievements of the USSR in education, science and technology impeding the human resources development to a bigger degree than all ideological and administrative constraints.

Certainly, neither the conscious policy aimed at reproduction of the internal central-peripheral structure nor the quasi-populist demagogy of the ruling nomenklatura could prevent an inevitable decline of the Soviet system. On the contrary, they destroyed it, denuding the objective limits of 'conservative modernisation'. The great compromise between traditionalism and modernity under the ideological slogans of Marxism-Leninism came to a threshold where it could not function. In the mid-1960s, the Russian Universe began to contradict to a solution of the further modernisation's tasks. Habits and traditions of the Russian peasant society, including such ones as stereotypes of communalism and egalitarianism, neglect of material well-being, prodigality with regards to natural resources, inability to appreciate time as the main resource, and preference of leisure instead of work, ignoring human dignity and many other qualities, which had been oppressed by the administrative and ideological tools in the 1930s-1960s, became, in ever-extending scale, insurmountable obstacles to a new modernisation.

Furthermore, the situation of a permanent economic misbalance and shortage of many goods was a favourable condition for the rise of the shadow economy, which, in the prospect, could make up a fruitful soil for the "thievish economy".

It would be necessary to recognise that the hidden revival of archaic patterns of consciousness and behaviour, this indistinguishable satellite of stagnation, had objective foundations. Two or three generations of the Russian people were tired of mobilisations and deep social transformations. The people allowed themselves 'to rest', particularly, when the system of control and compulsion had been 'decompressed'. (Here I do not consider the

situation in the Transcaucasian republics and Central Asia, where the incompatibility of the local universe with new modernisation was much more evident than in Russia. In particular, in the late 1960s – the early 1970s, Islamic fundamentalism, mostly in clandestine forms, began to rise in the Ferghana Valley, being a reaction to truncated modernisation /industrialisation obtruded from above, by the Russians.) Hence, it was not surprising that many economic and managerial experiments that concerned new approaches to labour organisation, undertaken in the late-60s under supervision and protection of Alexey Kosyguin, failed because of double resistance: from the side of managers, accustomed to work the old manner, and from that of workers, who preferred to get low wages instead of well-paid but intensive work.

While obvious signs of decline of the Soviet system appeared in ever-extending degree, the social-cultural split, temporarily smoothed in the years of catching up industrialisation and the mass terror under Stalin, had been restored in society again. The social consciousness of one part of society, mainly in the big cities, was oriented towards Western values, mostly at the level of primitive imitation of consumption patterns. Another part of the population, particularly, in small towns and the countryside, demonstrated an evident inclination to traditional values and various forms of social paternalism. [*Krassilchtchikov V.*, 2003: 40].

At the same time, the nomenklatura, which personified the 'pure' capital-function, in the 1960s-1970s demonstrated a drift towards 1) political and intellectual provincialism; ²⁴ 2) self-enlargement and 'economisation'. Correspondingly, enlarging groups of ruling circles imitated 'a governing activity' instead of real work.

²⁴ Milovan Djilas grasped this tendency still in the mid-1950s when he wrote about "mediocrity in the form of collective leadership." [*Djilas M.*, 1957: 52].

While the Soviet economy and social system as a whole grew and became increasingly complicate, the supreme apparatus of governance lost its efficiency. Indeed, it was necessary to allot functions of management and distribute resources among the increasing number of authorities and economic entities. This practice succeeded in the growing importance of 'the middle officialdom's strata' in the economic branches and regions, whereas the central authority bodies were gradually losing their monopoly for power and managerial functions. Power, as a main resource in the Soviet /Russian system, had been dispersed among an augmenting number of different groups of the nomenklatura. The relationships between them had been sustained only through 'an informal exchange' of services, resources and kinds of activity. Thus, in the 1950s-60s, the golden period of the Soviet /Russian history in the XX Century, the seeds of corruption were sown in the tissue of society. At the same time, the existence of the internal central-peripheral structure of the economy conditioned the separation and relative autonomy of different industry branches. In these conditions, the old system of development priorities eroded, whereas 'informal procedures' of concordance and conciliation of different interests, capacities, and resources' allocation displaced strategic goals as a whole. A realisation of the single development strategy turned into a formal process; on the contrary, the maintenance of 'the current equilibrium' – compromises between various groups and their corporate interests, became one of the main purposes and priorities of the Soviet system.

However, despite the existence of different interests of various groups of the ruling stratum (nomenklatura), there was their general common interest. It consisted not only in an endeavour to imitation of activity or having nothing to do but also in raising of their private incomes. This interest was objectively conditioned by the private,

individual character of consumption. [*Fehér F., Heller A., Márkus G., 1983: 60-64 et ff.*].²⁵ Certainly, accordingly to the social nature of the Soviet system as the pure embodiment of the capitalist function without private property, it should be necessary to abolish the private character of consumption or, at least, to restrain it. Nevertheless, it was practically impossible, particularly, in the framework of the catching up, imitative model of development, and when an opportunity to increase the level of people's consumption had arisen a little, the ruling nomenklatura was the first in a race for personal enrichment.

Michael Voslensky had described many details concerning both the nomenklatura's consumption and social differentiation under 'the real socialism' [*Voslensky M., 1984, Ch. 5*], so it is unnecessary here to draw attention to this issue. However, what is worth to be noted concerns the character of this differentiation. The latter was not only that indispensable, to a reasonable degree, but also presupposed social segregation. Over the 1970s-1980s, it had been expressed in the decline of the social mobility, a very important indicator and feature of a successful modernisation. The opportunities to make a professional career, to enter prestigious colleges and then to occupy good positions in some spheres of the economy and social activity had increasingly been concentrated within a relatively narrow circle of ruling groups. In essence, the latter approached to a hidden *privatisation of opportunities* for their children to make a professional career. For example, in the 1970s-1980s, most schools with advanced learning of foreign languages beginning from the 2-nd form in Moscow were located in districts where the nomenklatura

²⁵ Unfortunately, a reality proved that Leon Trotsky was right in his prediction when wrote: "In regard to the bureaucracy as a consumer, we may, with the necessary changes, repeat what was said about the bourgeoisie. There is no reason or sense in exaggerating its appetite for articles of personal consumption." [*Trotsky L., 1980: 142*].

preferred to be settled – in the centre, west, and southwest ends of the city. Meanwhile, in two southeast industrial districts with a total population of about one million inhabitants, where the families of manual workers dominated, such schools were not opened at all. [*Trushchenko O.*, 1995: 64].

Undoubtedly, experienced observers and large groups of the population as well, whether in the former Soviet Union or Latin American countries, were aware of the negative tendencies, which witnessed to attaining limits of the existed model of catching up industrial development emerged in the 1930s. Nonetheless, these tendencies had often been perceived rather as 'temporary difficulties' or 'several deviations' from the general way of development than as 'internally inherent vices' of both systems. Moreover, in the course of the 1970s, good indicators of the growth camouflaged the negative tendencies that arose in both semi-peripheral regions. For instance, in Latin America as a whole, including the Caribbean, the annual rate of GDP growth in the 1970-1980 was 5.5 per cent, or 3.0 per cent per capita [*CEPAL/ECLAC*, 1993: 68-69], the surging difficulties, particularly, the growth of external debt, notwithstanding. Respectively, in the former USSR, GDP per capita measured by the international currency (US dollars) on PPP reached the ratio of 1.5 to the average world magnitude of this indicator. (Counted on: [*Maddison A.*, 2001: 330]). It meant that the gap between Russia and the West at that time shrank to its minimum over the entire while of the rivalry since Peter the Great. In addition, by some indicators, such as a life expectancy, level of education, literacy of adults, the USSR belonged to the group of the advanced nations.

However, the systemic crisis matured invisibly, only sometimes slowly knocking on a door. In the 1980s, it had crossed a threshold appearing in its whole 'beauty'.



4. The Crisis of Statism and Neoliberal Reaction

The long-term premises of crisis that matured in the conditions of seemingly rapid development turned into apparent reality in the 1980s. Both regions, which were industrialising under a pressure of circumstances, Latin America and the former Soviet Union, entered a period of difficulties. Modernisation trap, Madam History carefully built up around both 'catchers up', invisibly operated, and they had fallen into it trying to deliver themselves [to jump out] from the quagmire on the same way that led them to there.

Certainly, the entanglement in the modernisation trap was mostly the result of previous, in some respects, successful, development of both regions, which had become victims of the proper accomplishments.

The modernisation trap, to a big degree, had accumulated due to fast development when a deficit of time and resources for complete transformation of the old social structures and relationships required to concentrate efforts in a prior direction while the rest remained untouched by modernisation. However, otherwise, a high rate of economic growth would be unreachable at all. In other words, the modernisation trap is an outcome of the dilemma: either a fast and successful development of the selected, prior spheres, branches and areas at the expense of the rest, or a gradual, slow but balanced development of all of them. A situation of such choice is always the consequence of the internal processes and internal shifts in a society.

Nevertheless, the external factors have been significant for the emergence of the modernisation trap situation, too. In the 1980s, the general world context, in, which Big Russia and Latin American

countries slipped into crisis, was no less important than in the 1930s, at the start of their catching up industrialisation.

Notwithstanding the evident fact that insurmountable difficulties both regions met in the 1980s were a result of the interaction of the internal and external factors, it could be argued that it was mostly the internal situation that allowed neither the former Soviet Union nor Latin American countries to find adequate responses to the external challenges.

In the 1980s, Latin America faced an effect of the four external factors that compelled the continent to approach to the structural adjustment of economy to the new conditions, and such an adjustment previously aggravated the profound systemic crisis. These were: 1) the augmented volume of external financing; 2) the rate of interest at the international markets of capital; 3) the real pace of the international trade growth, and 4) the negative, unfavourable dynamics of the prices for goods Latin America exported. [CEPAL, 1998b, vol. II: 736-737]. These factors could be reduced to two major ones: a deterioration of the trade conditions for Latin America and an elevation of the rate of interest at the markets of countries-creditors. [CEPAL, 1998c, vol. II: 807-813].

In the beginning of the 1980s, namely in 1982, Latin American countries suffered a slowdown (and, several of them – even a fall) of their manufactured goods exports. On the one hand, they met the new forms of protectionism implemented by the developed countries in respect to their commodities. [CEPAL, 1985: 66-70]. On the other hand, and it was more important and essential for the continent than the protectionist barriers their OECD partners built up, Latin American countries began to lose competitiveness in the changing conditions. Objectively, a new round of the scientific-technological revolution, namely, its microelectronic and informatics stage, debilitated the previously attained comparative advantages based on

cheap resources and cheap labour. [*Fajnzylber F.*, 1989: 97-106]. New technologies allowed to diminish the consumption of fuel and 'hard matter' per unit of GDP and 'commodities scope' what was widely recognised in Latin America– as well as an undoubted fact of the surged vulnerability of the continent to the new technological challenges as a whole. [*CEPAL*, 1988: 15-16, 19-22]. Inertia of the ISI strategy, although in modified forms, succeeded in an exceeding dependency of Latin America on the exportation of primary goods, whereas the significance of the latter had been devaluating. [*CEPAL*, 1985: 57 et ff., esp. 58-64]. Latin America appeared neither economically, nor technically, nor institutionally to be ready to face, in adequate manner, the microelectronic revolution. Furthermore, she was unable not only to face it but, at least, to adopt passively its accomplishments and opportunities.

Undoubtedly, the protectionist policy of the OECD nations, particularly the US, discriminating Latin America, had a definite significance for the inability of the latter to be adjusted to the new technological reality. For example, in the period from September 1985 to October 1989, the United States applied truly non-ordinary efforts to the trade negotiations with Brazil, intending to attain the privileges (for themselves, of course!) to seize advantageous positions on the Brazilian market of software and electronic goods, mainly computers. The US announced a retaliation against the Brazilian trade expansion to their market, particularly, with regard to the exports of footwear, orange juice and airplanes for local and regional distance. Affecting the interests of exporters of orange juice, the US obtruded, through the respective parliamentary lobbies, an acceptance of the additions to the bills regulating trade. As a consequence of the US pressure supported by small but influential groups of their 'allies' in Brazil, the Information Law approved by the Brazilian Congress in December 1984 was

'corrected'. This 'correction' opened the doors for the US software and hardware equipment's invasion into the market of the largest Latin American country. Soon, it debilitated and partly subverted the positions of Brazil as a rising electronic and information power. (See: [*Bastos M.I.*, 1994: 380-404].²⁶)

Nevertheless, independently on whether the US pressure on Brazil and other Latin American countries was efficient or not, neither Brazil nor the continent as a whole had sufficient scientific-technological capacities, which could enable to be active new technologies makers, and not passive takers. The first reason of such a weakness were the elitist, purely technocratic approaches to the scientific-technological R&D, when a decisive role had been attributed to a sphere of the tertiary education, research centres, training of qualified engineers, etc. [*Bastos M.I.*, 1995: 74-75], whereas the significance of the ordinary executives and the labour force quality was underestimated. The second reason was a widespread practice of *imitations* of innovations borrowed from abroad, instead of the creation and promotion of proper scientific-technological capacities. As Jorge Katz once noted describing the technological development in Latin America, its essential feature was "the bureaucratic innovative culture". [*Katz J.*, 1999: 15]. This "bureaucratic innovative culture" meant the realisation of a scientific-technological policy through orders and campaigns, according to decisions taken by bureaucrats. By the way, the same approach to R&D and innovations had been inherent also to the Soviet system, which had not the proper impulses for technological innovations. The latter should be sprung 'from above', being initiated by advanced groups of officialdom.

²⁶ About the rise and development of the Brazilian electronic and software industry from 1972 and onward see: [*Piragibe C.*, 1985].

An indistinguishable element of the modernisation trap 'construction', in which Latin America was entangled in the 1980s (later, some East European 'socialist countries' found themselves in the same place!), was 'the debt trap', namely, the ever-increasing external indebtedness, which became intolerable and destructive in the beginning of the decade (in 1982). When either governments or private business groups in Latin America borrowed money for 'the future achievements' of industrialisation (1974-1977), the rate of interest at the world markets was negative in real terms. Due to the orthodox monetarist policy of the Reagan administration – '*Reaganomics*' in operation! – the real rate of interest in 1981-1982 had taken-off to 6.0-8.1. [Cardoso E., Helwege A., 1992: 117]. It, firstly, raised 'the cost of money' Latin America needed for the maintenance of her financial system and her economy, and, secondly, stimulated the outflow of capitals to the US financial market. The continent was enforced to borrow money for the payments of interests and debts amortisation on old loans. A dynamics of the Latin American indebtedness by country, at least, the largest and/or the most developed of them, is presented in table 4.1.

Table 4.1. The external debt (billions US dollars) and the ratio of interests' payments as percentage *) to exports of goods and services in Latin American countries, 1980-1990.

Countries	Debt			The ratio of debt services		
	1980	1985	1990	1980	1985	1990
Argentina	27.2	49.3	61.0	22.0	51.1	38.9
Brazil	70.6	105.1	122.2	34.1	40.0	30.9
Chile	11.2	20.4	18.6	19.3	46.4	17.8
Mexico	50.7	97.8	99.7	30.2	37.2	24.1
Uruguay	2.1	4.9	7.4	11.0	34.2	27.2
Venezuela	29.6	34.3	33.1	8.1	26.4	16.9
Latin America ... in total	228.2	378.7	431.5	47.1	70.3	44.6

*) – counted upon the base of current prices in US dollars.

Counted on: CEPAL/ECLAC, 1993: 432-433, 436-437, 444-445, 450-451, 468-469, 484-489.

All 'benefactors' and 'well-disposed advisers' from the IMF, the World Bank and the OECD countries governments or private banks recommended to Latin America: export, export, and export! However, the real growth of exports, including those of manufactured goods, could not reimburse for losses from the increased indebtedness, whereas the general technological weakness and backwardness did not allow Latin America to repeat the success of the East Asian 'tigers' transcending to the export-oriented growth.

It cannot be said that Latin American politicians did not conceive the essence of the changes that occurred in the world, particularly, the key role of science and education in the process of development. For example, in 1990, Carlos Andrés Pérez, then the president of Venezuela, said: "...Education is clearly the great strategic line along, which we must advance, because it is the gateway to research, science and technology." [*Pérez C.A.*, 1990: 13]. But the rise in competitiveness and the resolution of other problems Latin American countries met in the 1980s as well, presupposed a realisation of

long-term measures, which could have effects only in the future. Meanwhile, in the conditions Latin America found herself at that time, it was impossible to think about long-term prospects of development. The task of survival seemed more essential and insistent than the task of development, so nothing, or, at least, little was done to change the crisis situation.

As an outcome of the augmented difficulties, in the 1980s GDP per capita in Latin American countries decreased, and some countries, as, for example, Argentina, suffered a fall of their absolute size of GDP. Respectively, mass poverty and social inequality have grown. Inflation, this permanent satellite of Latin American industrialisation over decades, slipped out of control, becoming a genuine economic plague. All attempts to resolve the surged problems and to overcome the deepening crisis did not allow attaining positive results, because they remained within the framework of the old system and touched neither the economic structure, nor the institutional mechanisms (the system of governance) at both the macro- and micro-levels. On the contrary, all these attempts weakened and destroyed the latter. It was somewhat similar to the *“zugzwang”* in chess – a situation when any move ahead should lead to a serious disadvantage and defeat. For example, in the course of the 1980s, the Argentine governments, from the military junta to the democratically elected president Raúl Alfonsín, accepted about dozen of programmes of macroeconomic stabilisation, but these programmes failed one after the other. Even if stabilisation had been attained, it was only short-term, and then new waves of crisis overflowed the agonising economy. Therefore the 1980s were non-occasionally called *la década perdida* (*the lost decade*) for the Latin American continent. (Unfortunately, the same characteristics could be applied, too, to the Soviet Union that

became *the country of omitted opportunities*; probably, some of those opportunities were lost forever.)

At the same time, the difficult period of the 1980s was not *the lost decade* in all respects. A part of the political and business elites of the continent learnt to reconsider its approaches to the mode of Latin America's inclusion into the world system, and began to comprehend how the long-term dynamics can be combined with short-term economic equilibrium. In addition, in the 1980s, Latin America had become the world leader of the political democratisation processes outside of the First World – then these processes spread to Central and Eastern Europe, the former Soviet Union, and some Asian countries. Civil society in Latin America, mostly in the relatively developed countries of the Southern cone, had been consolidated in the fight against dictatorships, particularly in Chile and Argentina. Thus, the experts of CEPAL/ECLAC had serious foundations to treat the given period not only as *the lost decade* but also as *la década de aprendizaje doloroso (the decade of painful learning)*. [CEPAL, 1990: 11]. Unfortunately, the same period did not become the decade of painful learning for the USSR. Namely, it had become the decade of pain, although mixed with expectations and hopes for radical improvements, but without learning.

Apparently, from the point of view of a world market's observer, the Soviet Union met in the 1980s almost the same problems as those the Latin American countries faced: at first, a fall of competitiveness and a deterioration of world market positions, and, secondly, a rapid growth of external debt. For instance, Soviet gross debt increased from 15.4 billion US dollars in 1975 to 31.4 billion in 1985 and then to 61.6 – in 1990; respectively, the debt service increased from 29.1 per cent of the hard currency exports in 1986 to 68.2 per cent in 1990. [ECE, 1993: 289; Mohanty A., 2003: 65]. Such dynamics of the external indebtedness meant that

improvements of the economic situation in 1985-1987 were extremely vulnerable; in the conditions of the institutional disintegration and declining governance in 1988-1990, it changed for the self-accelerating deterioration and fall of the main social-economic indicators, while the rate of inflation surely increased. Simultaneously, the growth of indebtedness meant that the second super-power moved towards bankruptcy.

The essence of the Soviet problems was, to a big degree, the same as in the case of Latin America – the inability of the industrial structures to generate or, at least, to absorb new technologies as a consequence of the misunderstanding of human capital's importance, because of 'industrial fetishism' and corporate, egoistic interests of the ruling strata as well in both regions. As Fernando Henrique Cardoso wrote on the Soviet economic planners and strategists, "they still saw the world through infrastructural lenses. 'Production' was their watchword, and productivity was to be improved only by investment in the 'hard' industries - nothing 'soft', no 'human capital', no telemetrics for them." [*Carnoy M. e. a.*, 1993: 155].

The same words could be said about the state bureaucracy and businessmen in Argentina, Brazil, or Mexico. Such an approach to human capital, implicitly connected with the permanent reproduction of the internal central-peripheral structure, blocked all impulses for innovations that might contribute to increase competitiveness and to overcome the crisis.

And at last, but not least, there was also one more feature of the situations in the Soviet Union and Latin American countries that resembled them to each other. It was 'the loss of governance' and, as a direct consequence, the rise of a deep disappointment of the masses in the state and its ability to control the situation. The decline of the old systems based on statism in both regions became

an inescapable fact. The task of transition towards another system had arisen on the agenda.

However, what should this another system be?

The prominent Hungarian scholar, and brilliant specialist on the Third World, Tamas Szentes, was one of the few sceptics, who insisted not to reduce the transformation in East Europe to the transition 'from socialism towards capitalism'. "*What is a type of socialism that has been under consideration? What is a type of capitalism towards, which it is possible to transcend?*" – he asked as questions in one of his papers. [Szentes T., 1990: 126].

The answers to these questions should depend on the diagnosis of the social-economic disease that afflicted Soviet, East European as well as Latin American societies. In this connection, another question has to be asked: Did the statism, whether in the case of the former Soviet Union and East/Central Europe, or state capitalism, in the case of Latin America, accomplish its historical mission completely by the end of the 1980s?

Yes, it did, particularly in front of the commenced processes of the transition towards a post-industrial, knowledge- and creativity-based society in the advanced countries. However, taking into account the real level of development in the USSR, Poland, Hungary, Argentina or Brazil obtained up to the eve of the 1990s, the answer to the given question should be negative. Indeed, either the former Soviet Union together with its COMECON allies, or Latin American industrialising economies, should have to accomplish industrial modernisation, i.e. to transit to the stage of late-industrial capitalism with a strong system of social security. In other words, they had to attain, as their strategic goal, the level of social-economic and technological development reached by the OECD nations in the mid-60s. This level could be treated as *a post-industrial threshold*, which would become a real base for the movement ahead, *gradual but*

successful. However, in the conditions of deep systemic crisis, the choice of the adequate strategy of reforms depended on the political will of different social actors that were able to take necessary decisions. Despite the possibility to follow the way of the developmental state (as in Japan and the NICs of E/SEA), gradually reducing state interventionism into economy, the real interests of people in power, whether in the former USSR or the states of Latin America, prevailed over the strategic goals of development. The situation of the profound crisis of statism and the state capitalism in the former USSR and Latin America, respectively, made the choice of the renovated statist variant of the Russian and Latin American development to be almost improbable.

Both Russia and Latin America had chosen, although with various modifications, the neoliberal strategy of reforms that presupposed, to a more or lesser degree, 'the shock therapy' policy and adherence to the Washington consensus principles.

Was this choice enforced from abroad on the formerly industrialising 'catchers up' now profoundly crisis-affected?

Certainly, it would be difficult to disagree with Helio Jaguaribe, when he noted: "*Pure liberalism is an exportable doctrine for use by third-world innocents*". [Jaguaribe H., 1997: 208]. The role of IMF and other odious international institutions as decision-makers concerning 'the emerging market economies' was undeniable. (In particular, it is sufficient to refer to the plans of James Baker and Nicolas Brady, the State and Treasury Secretaries of the US, respectively, which were aimed at the solution of the external indebtedness problem of Latin America through privatisation of her state-owned enterprises. In Russia, assistance from the West was promised only if the government of Yeltsin-Gaidar would accept the programme of stabilisation proposed by IMF. [Mohanty A., 2003: 77-81; Reddaway P., Glinski D., 2001: 290-298]. Nonetheless, it would

hardly be correct to exaggerate the role of foreign institutes in reforming the Russian economy, if the recommendations of IMF and the new prophets of 'the bright capitalist future' would not meet a friendly reaction by those people, who were biased to present their vested interests as recommendations of 'world science' and 'authoritative international organisations'.²⁷ Moreover, these vested interests were not the only factor that had played a key role in the concrete choice. In addition, there was also a peculiar vision of the situation by decision-making people, and that vision was, particularly, in the case of the former Soviet Union, conditioned by 'the ideological heritage' of the past.

The so-called 'young liberals', who moved into the scene of Russia's drama in 1990-1992, were genuine children of the Soviet system's decline and disintegration. ("Don't require so much from us, we are children of the stagnation period" –, one student said in 1986 when I lightly reproved her for pseudo-Marxist dogmatism.) They inherited vulgar Marxist, economic deterministic approaches to social phenomena, a purely technocratic, quasi-bolshevist vision of society, including such one as the belief in the omni-potency of social engineering that had been expressed in 'market fetishism' and naive reductionism based upon a primitive dichotomy 'public – private'

²⁷ In 2002, at one of the sessions of the X General conference of EADI (European Association of Development Research and Training Institutes) in Ljubljana, the rector of Ljubljana University pronounced the replica that would be worth to be reproduced here. He said: Certainly, before 1991 when dissolution of Big Yugoslavia started, we, Slovenians, lived better than many other people in the country. However, after 1991 we did not follow recommendations of IMF, World Bank and other international institutes, so today our conditions are much better than in many post-socialist countries and we are ready to join European Union.

Indeed, why IMF, IFC, etc. did not impose their policy to small Slovenia whereas they could do it with regards to larger countries: Poland, Argentina, Ukraine, and, particularly, Russia? It inspires us to presuppose that matter is not only an approach of the West but also (and more important!) the so-called vested interests of local ruling circles.

concerning the property relationships. (See: [Reddaway P., Glinski D., 2001: 236-241].)

Being 'children of the stagnation period', the Russian 'liberal reformers' were, at the same time, grand-children of the Bolsheviks (in both literal and figurative senses) and had been inspired by an idea of catching up, imitative development having intentions 'to do all as in the West'. Indeed, the neoliberal choice of Russia and most Latin American countries as well in the late 1980s – the early 1990s was conditioned, to a big degree, by the well-known 'demonstration effect', too. Hence, both Russian and Latin American admirers of neoliberalism could be characterised as "second-hand dealers in ideas" (this characterisation was used regarding the Thatcherite think tanks, but is applicable in the given case). [Desai R., 1994: 31].

The visible successes of the microelectronic/information technologies, which coincided (not occasionally in the concrete situation of the West!) with the rise of market fundamentalism, inspired an influential part of the ruling groups in the regions under consideration to adopt neoliberal programmes. Presupposedly, these groups, including 'the young liberal reformers' in Russia, were excited by implementing 'free market mechanism' looking at the superficial, exterior side of the processes that had been developed in the advanced western countries, mainly in the US. They paid attention rather to the changes in the sphere of consumption rather than the hidden transformations in production. The words, written about widespread endeavours of many people in Latin America, could completely be applied to the Russian situation as well: "*Public opinion, as expressed by consumers, wanted Miami, not the Silicon Valley.*" [Erber F.S., 1995: 221]. They refused to understand that Miami exists for weekends whereas the Silicon Valley required being engaged into hard, intensive work from Monday to Friday.

I have no fear to repeat the banal truth that 'the market renaissance' and the rise of neoliberalism in the West has been a reaction to the crisis of the fordist-keynesian model. Simultaneously, it was an approach to search for the new balance between the state and civil society, resolving the problems of the late industrial, managerial capitalism, correspondingly to new technological opportunities and principles of organisation. Meanwhile, the 1980s were not only the time of crisis, but also that when the social and technological premises to overcome this crisis matured in the depths of western societies. In 1971, "Intel" introduced a microprocessor that opened the way to the microelectronic era and prepared the ground for the information technology boom. At the same time, due to the preceding social-democratic, Keynesian policy of the welfare state, a large, higher college educated new middle class had arisen as the actor of social transformations and the new technological revolution. This social stratum, particularly, its upper and the most active, advanced part, was interested in cutting taxes, rationalising the welfare state expenditures, constraining the egalitarian tendencies in income distribution and the pretensions of trade unions for a growing piece of the national income pie. It had the proper purposes and pretensions for a peculiar, even elitist role in society. At last, this social stratum endeavoured to self-fulfilment, particularly, in the sphere of its own business, mainly, in the new branches of economy.

These endeavours had a solid background –the immense volume of the accumulated human capital embodied in the intellectual, creative capacities of this social group. In the beginning of the 1990s, I attempted to estimate the magnitude of this capital in the US at the time when 'reaganomics' commenced to function, i.e. in the first half and mid-1980s. I used the official statistical data, in particular, the US Statistical Abstracts, and the literature comprised

a methodological approach to estimating a volume of the human capital as well. The latter had been compounded from different kinds of expenditures and human efforts expressed in their monetary equivalent' form, such as the following: parents' child-care; education, including all public, corporate and private expenses for this goal; culture and recreational sphere, including public and private expenditures for sport, excursions, visitation of museums, theatres, concertos, art galleries, etc.; own efforts of schoolchildren and college students for learning and studying, including their efforts for sustaining of 'good fitness'; efforts of adult graduated specialists aimed to improve their professional skills and intellectual capacities. (See in details: [Young D.R. e.a., 1986: 14, 93].)

Accounting, at least, approximately, all these major kinds of expenditures and efforts required for 'production of labourer' adequate to the contemporary conditions, it was possible to estimate the total human capital in monetary form, which had been accumulated in the US. In the early and mid-1980s, when 'the neoconservative revolution' triumphed in America, this amount reached 44-45 trillion of 1981 dollars. Hence, the annually accumulated human capital estimated accounting a movement ('inflow - outflow') of the labour force exceeding 2.0-2.1 trillion dollars, a magnitude, which was approximately equal to a half of the US GDP at that time. [Krasilshchikov V., 1993: 169-171]. It was an approximate, quantitatively expressed amount of the genuine human background of new technological breakthroughs realised by the U.S. and other western countries in the second half of the 1970s and onward. Since a bigger part of this amount had been created in households and was funded, too, due to social expenditures of the welfare state and/or public foundations, it was beyond the sphere of market relationships. *In other words, 'the market renaissance', as a*

response to decline of the fordist-keynesian system had been based upon a "non-market ground".

The interests of new middle class coincided, to a big degree, with those of big business, including transnational corporations, and banking capital. They all tended to restrain the trade unions for increasing profitability of production on the national and global scale. In addition, their common purpose consisted in a deliverance from domination of the managerial, functional capital, which lost its previous dynamism and was aimed at attaining stability (=stagnation). Actually, 'the anti-managerial revolution' was posed on the agenda as a restoration, at the new stage, of the pre-XX Century capitalism, thoroughly as a liberalisation and de-regulation of economy. Such a goal, in particular, corresponded to the attitudes of TNCs, which were interested to oppress the resistance of the national states, whose activity, from the TNCs' point of view, was incompatible with the rational allocation of resources and economic 'effectiveness'. In its turn, banking and financial capital was openly inclined to the full liberalisation of financial markets, and financial players were the key actors of 'the market renaissance'. Neoliberal economics and market fundamentalism became their new religion and *raison d'être*.

Therefore, the rise of neoliberalism in the end of the 1970s in the western countries had a real, social-economic and even social-cultural foundation, facing the support of different social groups.

Did the same social 'pro-market' actors, who promoted 'market renaissance' in the West, exist in the former USSR and Latin America in the end of the 80s? No, they did not, but this fact did not mean that other 'free market' agents nor emerged in both regions at that time. The social actors of a transition from statism towards 'free market' in the former Soviet Union and Latin American countries can be presented as following (table 4.2).

Table 4.2. Social actors of free market economy

The former USSR/ Russia	Latin American countries
- the CPSU and economic management nomenklatura (cratocracy)	- bourgeoisie affiliated with TNCs
- actors of shadow economy	- old but modified trade-agrarian oligarchy
- self-employed people and independent entrepreneurs (very weak sector)	- financial players, bond market agents
	- self-employed and people of 'informal sector' of economy

Certainly, what concerns Latin American economies, they were market economies since the colonial times, hence, there were always the social agents of market relationships, some constraints and state regulations, particularly, in the XX Century, notwithstanding. The period of the 1970s, when some Latin American countries began to export their manufactured goods to the external markets, strengthened positions of those circles of national bourgeoisie, which were directly interested in deliverance of the economy and private initiative from the state wardship. At last, it is hardly necessary to mention the groups of financial players that had been enriched in the situation of storms at the market of capitals and were supporting any economic liberalisation, as far-reaching as possible.

The situation in the former Soviet Union at the stage of disintegration was another matter. Soviet society, mainly in the Russian Federation, had no experience of genuine market relationships, except bazaar trade. Nonetheless, the objective disintegration of the entire Soviet industrial system and the

expansion of the shadow sector of economy (as one of this disintegration's consequence) created a specific social-economic environment, favourable to the emergence of the market and the commercialisation of social relationships. It opened new opportunities for quick personal enrichment. To the mid-1980s, the ruling nomenklatura had matured, and was ready – as Leon Trotsky forecast in 1936 [*Trotsky L.*, 1980: 253-254] – to approach to the redistribution of the accumulated social wealth for proper benefits. At the same time, it was necessary to legitimise this process before the ordinary people. The proclaimed and actually insistent economic reform had been the best way to do it.

It would be worth to note that often in the former Soviet Union and the Latin American countries, the same people and political organisations, who some years back could not imagine a development without state control, suddenly turned into the admirers of free market. Such a transformation took place, for example, in Mexico, Argentina and Bolivia where *el Partido Revolucionario Institucional*, *el Partido Justicialista* or *el Movimiento Nacionalista Revolucionario*, respectively, being previously adherent to populist and statist attitudes, became mettlesome promoters of liberal economic reforms. In particular, in Bolivia, Víctor Paz Estenssoro, president in 1952-1956 and 1960-1964, initiated the realisation of the programme of radical social-economic liberalisation, whereas in 1964 he was dismissed by general Rene Barrientos by a military coup, because of his excessive [from the point of view of Uncle Sam] populist policy. In Argentina, the candidate of peronism for presidency, Carlos Menem, being elected, had become “the author of populist dismantling” [*Adelman J.*, 1994: 90] and approached to the ultra-liberalisation of the national economy. At last, in the USSR, whether in the Russian Federation or any other republic of the Union, the turning of the former ‘statists’

into free market admirers had been the widespread phenomenon. The first president of post-soviet Russia, Boris Yeltsin, demonstrated such turn in literal manner.

One of the foremost character features of the market, which emerged in the course of transformation in Russia, consisted in its unity with the system of power. Even those niches of the Russian market, which were not under direct control of authorities, might exist only because they were not interesting for the 'economised' nomenklatura. This market did not arise from below, the countryside bazaar, as in China. (This circumstance explains why all comparisons of the Russian and Chinese reforms have no real sense, if the principal, 'genetic' differences between them are ignored.)

The genesis of the specific Russian (CIS's as a whole) market can be divided into the three periods of different length.

1) *The period before 1987* that had some long sub-periods, when the necessary premises matured within framework of the Soviet system.

2) The period from 1987 to July-August 1990 was marked by the rise of a hidden 'cratocratic' trade capital(ism) with focus on trade and financial operations, but not on productive activity. In this period, small semi-private, semi-cooperative firms, headed by unknown persons of small rank raised as mushrooms after a summer rain.

3) The period from August 1990 and afterward had been characterised by *the call for commercialisation* of the CPSU organs. The Central Committee of the party had taken decisions that 'legalised' the engagement of the party's authority bodies into 'economic activity', but the party's business should be presented in a form of the business activity of private firms and banks. A strategic task that should have to be solved in this period consisted in the creation of an influential private sector under control of the

nomenklatura, and the general movement in this direction did not depend on various events, even such important as the failed putsch in August 1991.²⁸ Indeed, according to sociological studies in Russia, in the mid and end of the 90s, about 70 per cent of the new political and business elite at the federal level and 82 per cent at the regional one were recruited from the former party and state nomenklatura. [*Kryshtanovskaya O.*, 1996: 118-120]. This is a record, perhaps, shared with Ukraine and some other CIS countries, among all East European nations where the ruling elite was renovated for 60-80 per cent.

The neoliberal ideology corresponded, particularly, at the stage of the former state-owned enterprises and assets' appropriation to the interests of the 'privatisers'. Neoliberalism had become the best ideological explanation and theoretical foundation of wild privatisation (=appropriation) of state property. In its turn, liberalisation of external trade and the financial system opened access to 'the goods of the civilised world' in exchange for raw materials, petroleum and gas.

The liberalisation/privatisation of the former Soviet economy, as a result of the Soviet system's disintegration, predetermined, to a big degree, the character of the Russian, as well as Ukrainian, etc., economic (neo-) liberalism. In this connection, it seems relevant to remind what Karl Marx said about ideological views and their real essence. "The label of a system [of views - V.K.] -, he wrote, - differs from that of other articles, among other things, by the fact that it cheats not only the buyer but often also the seller." [*Marx K.*, 1978a: 360]. Meanwhile, 'the practical', operating (neo-) liberalism in post-soviet Russia was as far away from genuine western liberalism as Soviet 'Marxism-Leninism' differed from authentic

²⁸ About the transformation of the old Soviet system into the nomenklatura's market see, for example: [*Kryshtanovskaya O.*, 1996: 94-107].

Marxism. Under Russian conditions, 'the economised part' of the former nomenklatura as well as large strata of ordinary people treated neoliberalism as a conception justifying 'the free expression of personal will', and as a justification of *omni-permissiveness* without restrictions and constraints. Such an attitude had nothing in common with the Western liberal idea of freedom, which presupposed the recognition of the right to private property and private activity for each individual. Western liberalism meant a reciprocal respect of individuals in their relationships: personal freedom of anybody should be restricted, if it were to violate the same right of other people for their privacy. Perhaps, it would be relevant to quote the words of such classics of liberalism as Adam Smith, words that illustrate how wide the gap between the Russian version of 'liberalism in operation' and the genuine liberal worldview is: "Every man, *as long as he does not violate the laws of justice* (my italics – V.K.), is left perfectly free to pursue his own interest his own way, and to bring his industry and capital into competition with those of any other man, or order of men." [Smith A., 1976: 687]. The Russian 'operating' (neo-) liberalism constantly violates 'the laws of justice' and rejects the pivotal principle of different people rights' equality. Strictly speaking, it alternates the latter for 'the laws of jungles'. According to such an anarchistic, archaic approach, *economic man, homo oeconomicus*, as an agent of the market relationships is interpreted as an absolutely egoistic person, who does not think about other people and is capable to destroy the whole world if this destruction is beneficial for him/her.

Evidently, this attitude can hardly be treated as rational; instead, an immoral, insolent regard of any person to his/hers neighbours is irrational because it provokes their responsive reaction as anti-social behaviour of this person, who appears as unable to think even about his/her long-term interests. Meanwhile, an irrational, socially

destructive egoism has become widespread in Russia at all levels of society. Therefore, the triumph of neoliberalism in its Russian version represents, by itself, the restoration of archaic attitudes strewn by the imported powder on the surface.

At the level of the former nomenklatura, the called above omni-permissiveness under liberal slogans has been expressed in the *privatisation of power*, although, in this respect, Russia and the CIS as a whole have not been 'deviating' from the global trend. Privatising the state has become a widespread phenomenon at the periphery of the world system in the era of globalisation. [Hibou B., 2004: 1-46, esp. 3-4]. This fact is a key to the adequate comprehension of the Russian market relationships. Such privatisation of the state functions and institutions preceded the privatisation of the economy and succeeded in the emergence of a criminal-bureaucratic capitalism (quasi-capitalism), a substantial and undistinguished element of which is corruption that pierces all levels of society and has many facets.

What concerned the large strata of ordinary people in Russia, neoliberalism in its vulgar version had become for many of them a form of 'social escapism' or 'negative deliverance' from any responsibility with regard to the state, colleagues at work, technological and labour discipline, and even... themselves. The large masses of people in Russia had felt 'a taste to freedom', which had been understood as 'a freedom from...' (but not as 'a freedom for'), as a right to be independent on whosoever and any social ties. Such 'a deliverance' from sociality was a delayed reaction to the former mobilisation for enforced accelerated modernisation in the past. In the course of industrial development under Soviet power, most people were tired of this mobilisation, although it was the only way of progress in Russian history. This social tiredness, on the one hand, and the emerged opportunity to earn 'fast money', even

despite a decrease of the social status in many cases, on the other hand, compounded the social-psychological condition of the support for the Yeltsin regime from below in the first years of reforms in Russia.

Nevertheless, all similarities and differences between Russian and Latin American motives for the adoption of neoliberalism notwithstanding, both variants of the neoliberal policy offered 'the best way to the brightest future'. As it has been often, the reality appeared to be far from promises, and lables have again cheated not only buyers, but sellers as well.



5. Latin America: The Limits of Successful Neoliberal Reforms or Neoliberalism as Limit to Development

At first, it is necessary to note that when I use the word 'successful' speaking about the neoliberal, pro-market reforms in Latin American countries, I do not intend to glorify their results and ignore the serious problems that had arisen as a result of neoliberal social-economic policy in its radical version. They look 'successful' only when being compared to the outcomes of 'market transformations' in Russia or the CIS as a whole. but it does not mean that neoliberalism has brought prosperity to Latin America. On the contrary, the experience of the Latin American market reforms prove the instant necessity to reconsider and reassess neoliberal principles; otherwise, an attempt to implement them wherever, including East Asia, with her strong statist traditions, can succeed in serious negative consequences.

What was 'the Latin American balance' between the results and costs of the neoliberal strategy realisation, mainly in the social sphere?

One of the most acute problems that tormented the Latin American continent over decades of industrial development was inflation. Both poor and rich strata of the Latin American societies, except maybe a narrow group of financial and currency speculators, were tired of the permanent depreciation of money. They agreed to adopt any stabilisation programme that could help to deliver the economy from this sickness. And a real constraint on inflation had been a very important achievement of the neoliberal strategy in Latin America, particularly, over the first years of reforms, when the economic growth resumed, despite essential losses in the social

sphere. From the start of 'macroeconomic stabilisation' (understood as financial stabilisation), though attained at different years in different countries, the annual rate of inflation exceeded 10 per cent only in Costa-Rica (1996-2000), Colombia (until 1998), Mexico (in 1995 because of the *tequila crisis* with a slow decrease to 1999), Paraguay (in 1991-1995 and 1998), Peru (up to 1996), Uruguay (1991-1997). Only in such unstable countries as Venezuela and Ecuador, the annual rate of inflation never fell below 12 per cent over the past decade. In the course of the recent decade, 10 per cent annual rate of inflation (measured at consumer prices) was exceeded in Argentina (after default of December 2001 and in 2005), Brazil (2002), Costa Rica (2000-2001, 2004 and 2005), Dominican Republic (since 2002), Honduras (2000), Jamaica (2003-2004), Nicaragua (2005), Paraguay (2002 and 2005), and Uruguay (2002-2003). Perhaps, only Venezuela remains to be afflicted by a two-digit rate of inflation that has become the chronic economic disease of the country, while Ecuador reached stabilisation due to enforced dollarisation of the economy. [CEPAL, 2000a: 85; CEPAL, 2004a: 189; CEPAL, 2005a, cuadro A-23]. Certainly, the reached level of financial stabilisation is far from ideal but, despite some fluctuations in various countries, Latin America as a whole achieved an 'acceptable' rate of inflation in contrast to that in the preceding decades.

The repression of inflation had been accompanied by a large-scale privatisation of state-owned enterprises.

Here it is hardly worth to describe the process of privatisation in various Latin American countries in details. In some cases (Brazil, Chile), privatisation had been gradual, according to the principle of maximal effectiveness. Sometimes, as, for example, in Argentina and Mexico, this process had been promoted by a 'genuinely bolshevist pace', corresponding to the approaches of market

fundamentalism (=market bolshevism). Then it created the ground for corruption and other abuses for advantages of highly ranked swindlers. There were many cases when shocking, scandalous exposures of such abuses in the process of privatisation disturbed public opinion. Nevertheless, even in Argentina, which became the continental leader by pace (but not effectiveness!) of privatisation²⁹, these cases looked minor in comparison with the criminal affairs that took place in the course of privatisation in Russia and other former Soviet republics.

For a better understanding of the privatisation processes in the Latin American countries, on the one hand, and in Russia/CIS, on the other hand, it is relevant to illustrate them, comparing values of the privatised state-owned enterprises in both regions with each other. In 1990, on the eve of neoliberal transformations, the total GDP of the eight core Latin American countries (Argentina, Brazil, Chile, Colombia, Mexico, Peru, Uruguay, and Venezuela) was 1961,787 million US dollars measured by PPP. The same indicator for all, large and small, 47 Latin American and the Caribbean countries was equal to 2239,815 million US dollars. At the same year, the GDP of the Russian Federation was 1151,040 million dollars, and the GDP of the USSR – 1987,995 million dollars. [*Maddison A.*, 2003: 99, 111, 140]. In effect, the Russian Federation and the former USSR had a volume of GDP comparable to the one in Latin American and the eight core countries. Moreover, as it is well known, all industrial and infrastructural enterprises in the former USSR pertained to the public sector whereas, in the case of Latin America, the latter co-existed with a powerful private sector. However, the total sum attained in the course of privatisation of the state-owned enterprises in all Latin American countries in the 1990s amounted to 178 billion

²⁹ Even such public services enterprises as cemeteries, subway in Buenos-Aires, zoos, and the Mint were privatised in Argentina.

US dollars, which exceeded the respective 'yields' appropriated by the treasury in Russia 20 (!!!) times. [*Weisbrot M.*, 2005]. These data affirm that a tremendous amount of public assets in Russia was allotted, almost for nothing, among few people appointed by the authorities 'to be millionaires'.

Privatisation as well as financial stabilisation enabled to attract capital to the Latin American economies. FDI prevailed (compounding 75 per cent!) over the capital for bonds in the total amount of capital inflow into the continent in the course of the 1990s [*CEPAL*, 2002: 136, 138]. These investments were important, in particular, for the modernisation of the banking system and telecommunications, initiated almost immediately after the start of reforms. At the same time, the share of investments and savings in GDP of Latin American countries resumed to increase after a drastic fall in the 1980s. Nevertheless, this indicator in its ratio to GDP fluctuated about 20 per cent from 1991 up to today, what was, probably, an insufficient magnitude, taking into account that Latin America needed a huge amount of investments for development of infrastructure and new industries. Only in few countries, this indicator sometimes exceeded 25 per cent (in Chile in 1995-1998 and 2005, in Honduras in 1993-1994, 1997-2000 and 2004, and in Nicaragua, where it did not fall below this level since 1997). [*CEPAL*, 2001a: 84; *CEPAL*, 2005a, cuadro A-4]. Respectively, GDP and GDP per capita resumed growing, too, after the reforms' start. In 1991-2000, the total continental GDP increased by 38 per cent or by 16 per cent per capita [*CEPAL*, 2001a, cuadros A-1, A-2]. At the beginning of the new millennium, the economic growth of the continent as a whole slowed down: Latin America suffered a notable slowdown of growth in 2001-2003, and not only because of the crisis in Argentina, but as a general tendency that dominated over three years. Moreover, since 1990, when Latin American economies began

to recuperate after the lost decade, up today, the annual rate of growth on the continent as a whole did not reach the rate of 1965-1974. Seemingly, 2004 was the year when this tendency has changed (the total continental GDP has grown by 5.9 per cent, by 4.4 per cent – per capita); however, it is hardly possible to speak about long-term positive changes because of the moderate indicators of 2005. [CEPAL, 2005a, cuadros A-2, A-3].

Certainly, in several countries, such as Argentina, Chile, or Uruguay, the rate of growth sometimes exceeded the same indicators of the import substitution industrialisation epoch, but Latin America, as a whole, did not recuperate the pace of her development that was obtained in 1945-1980. There were only four countries, Argentina, Bolivia, Chile, and Uruguay, where the rate of growth after 1990 was higher than in the industrialisation period. [CEPAL, 2000b: 55]. The largest country of the continent, Brazil, grew unevenly and slowly, comparing to the pace she demonstrated in the years of the 'miracle' under the authoritarian regime.

In the second half of 1998, the economies of the leading Latin American countries entered a period of recession and slow growth. In particular, the Chilean 'miracle' finished, and the country suffered a smaller decrease of the GDP by 0.5 per cent. (It was the first GDP decrease in Chile after the crisis of 1981-1983.) In Argentina, the slowdown of growth turned into the three years recession that ended by the catastrophic fall almost by 15 per cent in 2001-2002. Maybe, it was the clearest example of practical and conceptual inconsistency of the neoliberal strategy, aggravated by a currency board policy in a country where a lot of structural imbalances appropriated a permanent character and became an indistinguishable feature of the national economy.

The slowdown of GDP growth in most Latin American countries after the relative success of 1998 has not been an occasional episode

of conjuncture, whereas the accomplishments of 2004-2005 can be treated, rather, as a temporary, short-term improvement of the general development trend. It has demonstrated that the neoliberal strategy, particularly, in the conditions of peripheral and semi-peripheral countries, has had objective limits because it cannot abolish structural, macroeconomic disproportions, inherited from the past. On the contrary, it aggravates them, succeeding to a rise of new problems in addition to the old ones. In particular, neoliberal reforms did not reduce the instability of the economies. (The financial crises in Mexico, 1994-1995, Argentina, 1995 and 2001-2002, and Brazil, 1998-1999 that apparently looked as results of the currencies and bonds speculators' attacks, affirm this increased instability and vulnerability to various 'free market' fluctuations. Liberalisation of external trade was one of the additional factors attributing an uncertainty to Latin American development.

Liberalisation of external trade in Latin America intensified competition on internal markets. It forced many entrepreneurs to diminish cost of production, to improve management and to pay more attention to marketing of their commodities. Moreover, at first sight, it has been accompanied by an apparent improvement of the Latin American exports' structure. For example, the share of primary goods in total Latin American export of commodities decreased from 67 per cent in 1990 to 41 per cent in 1999, while the share of manufacturing goods increased, respectively, from 33 per cent to 59 per cent. In several countries, changes were even more fascinating. In particular, Mexico experiences a growth of the share of manufacturing goods from 43 per cent to 85 per cent of the total commodity exports, and Costa-Rica – from 27 to 62 per cent over the same period. Some positive changes in the same direction, though more moderate, can be seen, too, in Chile (growth from 11 to 17 per cent), in Brazil (from 52 to 54 per cent) and Colombia

(from 25 to 31 per cent) [CEPAL/ECLAC, 2001: 100-101]. The export of machinery, including plane-jets and other aviation technique, in 1999-2001 occupied the first position in the total Brazilian exports. However, from 2000 up today, the ratio between primary and secondary goods in Latin American exports has gradually been deteriorating. In particular, the share of primary goods in Latin American exports has increased in 2003 to 44.3 per cent, and that of manufactures has diminished, respectively, to 55.7 per cent. [CEPAL/ECLAC, 2005: 138-139]. The richest and most developed countries of the continent did not avoid such negative shifts, too. The share of manufactures in Argentine exports decreased from 34 per cent in 1995 to 27 per cent, in the Brazilian ones – from 58 per cent in 2000 to 51.5, and in Uruguay – from 41.5 per cent in 2000 to 33.7 per cent in 2003. [*Ibid.*: 139]. Even Chile and Mexico suffered a little decrease of the given indicator by a few per cent points.

It is possible to make two principal conclusions, generalising different tendencies of the outward-looking sector of Latin American economies (See: [CEPAL, 2000b: 60-62; CEPAL, 2002: 180].)

First, despite the faster growth of exports from Latin America in relation to the growth of economy as a whole and to the preceding period (1960s-1980s), and with the exception of Brazil that slowed her export expansion comparing to the period of authoritarian modernisation, no country of the continent could 'ennoble' her exports and elevate it to a new technological level. The increased share of manufactured goods in total exports must not delude us. These goods have mostly been produced upon the base of old technologies with only few 'intrusions' of new ones, with supremacy of 'iron', hardware over 'intangible' elements in the process of production that remains to be capital- and resources-intensive. Evidently, this circumstance does not preserve the continent from turbulences at the world market, and the rapid growth of

intraregional trade can hardly countervail possible difficulties that can emerge.

Second, a boom of high-tech goods exports, which is seen in Mexico, Costa Rica and some small Caribbean states,³⁰ does not mean that these countries achieved a high stage of technological development. As a rule, their high-tech goods have been manufactured at assembly enterprises, *maquiladoras* in Mexico, with use of imported details and components, often under supervision and assistance of invited foreign specialists. (Nevertheless, such practice is 'a step forward' for them witnessing to a definite culture of production and management.) In addition, the high-tech enterprises in Mexico are mostly oriented to the NAFTA, US and Canada, markets but not to the internal production systems of Latin America; furthermore, they are not distinguished by high level of productivity. [*Gómez Vega C.*, 2004: 72-74].

Therefore, the liberalisation of external trade that took place in Latin America since 1990-1991 could not automatically provide the conditions for transcendence to a more 'intelligent' structure of exports.

Moreover, the industrial structure (as well as the structure of economy as a whole) of many countries was simplifying relatively to the preceding stage of industrialisation. For instance, such countries as Argentina and Uruguay, where the neoliberal policy had probably been realised in more radical forms than in many other states of the continent, suffered a process of obvious de-industrialisation. The share of manufacturing industry in GDP declined in Argentina from 26.8 per cent in 1990 to 17.2 per cent in 1995 and to 16.5 – in 2000. Then it increased to 22.5 per cent in 2003 due to a

³⁰ The share of such goods in total exports was: 23.3 per cent in Costa Rica and 17.6 per cent in Mexico (2002) what exceeded the similar indicators for such developed countries as, for example, Germany (14.6 per cent) and Sweden (13.0). (Counted on: [*World Bank*, 2004: 262-263].)

spontaneous import substitution because of the peso's threefold devaluation. The same indicator in Uruguay fell from 28.0 per cent in 1990 to 16.9 per cent in 2000, and increased a little to 18.9 per cent in 2003. (Counted on: [CEPAL/ECLAC, 2005: 214, 294].) These structural shifts have not been accompanied by the growth of high-tech exports or the boom of software, technologies and know-how outputs. The constructors of the 'market paradise' in Argentina, Carlos Menem and Domingo Cavallo with their teams, continued doing work initiated under the rule of the fascist junta, when the minister of economy José Martínez de Hoz began to destroy the most advanced branches of national industry. Exterior façades built up under guidance and supervision of the IMF could not hide the general trend towards industrial degradation. The shameful collapse of the Argentine economy and banking system in December 2001 had been the inevitable culmination of this destructive process. It is hardly possible to find a brighter illustration of the neoliberal strategy's failure than the events in Argentina in 2001-2002. Even the case of Indonesia in 1998 when the IMF obtruded recommendations to the Suharto government how to extinguish a fire by kerosene look less significant for the exposure of the monetarist alchemy now than the Argentine crisis. For many Argentinians, 'a structural adjustment' to globalisation in the IMF arrangement became an adjustment to famine (see below) that could not be imagined in the country over the whole XX Century.

As it is well known, economic growth has to be considered in correspondence with the resolution of social problems, including, of course, such problems as poverty. Unfortunately, uneven development of the continent and broadening heterogeneity of various countries and regions should inevitably have to impact on the social situation.

In the course of the lost decade, mass poverty in Latin America increased from 35 per cent of all households (40.5 per cent of population) in 1980 to 41 per cent of households (48.3 per cent of population) in 1990. The absolute numbers of poor people in Latin America were 136 and 200 millions, respectively. Due to resumed economic growth, the share of poor families (households) in the continent declined from 41 per cent in 1990 to 35.5 per cent in 1997 and 35.3 per cent (=43.8 per cent of the total population) in 1999 but, in absolute terms, the number of poor people increased to 203.8 and 211.4 million, respectively. The share of those, who live beyond the misery line diminished from 22.5 per cent (18 per cent of households) in 1990 to 18.5 per cent of the total population (13.9 per cent of households) in 1999. More than 150 millions of them in the second half of the 1990s had an income of less than 2 dollars per day (measured by purchasing power parity!), i.e. below the world poverty line. After a little decrease of poor people in 2000 (by 4.3 million, or 1.3 percent point), **their number has begun to increase again and reached 221.4 million people (44.0 per cent of the total population, or 36.1 of all households).** [CEPAL, 1999b: 17-18, 36, 274; CEPAL, 2001b: 13-15, 36-38, 44-45, 221-222; CEPAL, 2003: 50-51, 54-55]. Despite resumed growth of economies in 2003-2004, **an essential decrease of poverty is not observable:** indeed, the share of poor has declined by 2.6 percent points only, and that of people living in misery – by 1.8 points. [CEPAL, 2004c: 56]. According to the last estimates, these indicators should have to diminish to 40.6 and 16.8 per cent, respectively, in 2005. [CEPAL, 2005b: 8-9; CEPAL, 2006: 64-65]. A particularly shocking increase of poverty occurred in Argentina, where the rate of poverty has grown more than two times from 1999 to 2002, reaching 41.5 per cent of the population in the area of Gran Buenos Aires, while the share of those, who lived beyond the misery

line, has increased four times, from 4.8 to 18.6 per cent. [CEPAL, 2003: 53]. All these data enable one to affirm that Latin America, from the point of view of social development, had *lost two decades*.

Obviously, considering the indicators and levels of poverty, it would be relevant to clarify what is the criterion of poverty in Latin America.

According to the CEPAL/ECLAC approach, a household is poor, if its expenses for food purchasing exceed half of the total current expenditures for consumption. Certainly, such criterion is 'harder' than the one in the US where a threshold of household's poverty is lower – expenses for food purchasing have to be at the level of one third of all family's consumer expenditures. The criteria that have been proposed by EU are ever more 'socialist': the level of 60 per cent of the median income is the so-called risk-of-poverty threshold. Nevertheless, in its turn, Latin American criteria of poverty are 'softer' than in Russia and many Asian countries. Evidently, the lines of poverty expressed in monetary form are not the same in different countries. In each case, the concrete level depends on the general development, economic and social structure of the country, the exchange ratio of the local currency, cultural traditions, habits, patterns of consumption, and many other factors of big and small importance.

It is not difficult to presuppose that the level of poverty in any country has tightly been correlating with social-economic inequality. (In Latin America, this inequality has deep historical roots in the character of the continent's development and peripheral position of Latin America in the world system from colonial times and onwards.) The neoliberal reforms allowed neither to abolish poverty nor to reduce inequality. Furthermore, in some cases, when the level of poverty was reduced, social-economic inequality increased. Indeed, neither governments nor international organisations can alter the

historically grounded distribution of assets and resources that determines, to a big degree, the recent distribution of incomes and benefits, or disparities of rewards between skilled and unskilled labour. Certainly, due to adequate social policies, “government[s] can help [to] modify the channels through which inequality is perpetuated.” [IADB, 1998: 179]. However, governments’ efforts in the vast majority of Latin American countries could not neutralise the negative effect of economic liberalisation on social-economic inequality. (Exceptions from this general trend are insignificant and not fascinating: Colombia, Guatemala, Honduras, Mexico, Nicaragua, Panama, and Uruguay. [CEPAL, 2003: 301-302]. **Income distribution as a whole has become, in most cases, much more inequitable than it was before the reforms.** In particular, it is notable that even such a Latin American country as Uruguay, where the income inequality measured by Gini coefficient is the least on the continent (0.455 in 2002), has still a more unequal distribution of incomes than any OECD or East European country (except the Russian Federation).³¹ [CEPAL, 2003: 301-302; UNDP, 2004a: 188-190; Ferranti D. de, Perry G.E., Ferreira F.H.G., Walton M., 2004: 1, 2, 17].

Inequality in Latin America is the result of the inequality of opportunities, including unequal access to productive assets, different levels and quality of education, unequal supply of credit/financial resources for different groups of the population, uneven development of infrastructure, and so on. In the specific conditions of Latin America, where the states or markets are weak, inequality of opportunities has been aggravated by a system of patron-client relationships, where the access to assets and resources is based upon personal ties. Actually, it means an exclusion of large

³¹ Gini coefficient in Russia was equal to 0.456 in 2000 [UNDP, 2004a: 189]; since the beginning of the millennium the social-economic inequality in Russia has

social groups from the beneficial kinds of activity. [*Ferranti D. de, Perry G.E., Ferreira F.H.G., Walton M., 2004: 125-127*]. A practice of clientilism and cronyism accompanies, as a rule, the unsatisfactory defence of property rights, a situation when neither the state nor any other authority can guarantee the maintenance of the law.

Evidently, the issue of property rights is undistinguished from the broader problem of corruption. In contrast to predictions of the market fundamentalists, the neoliberal reforms in Latin America, except a few of countries where corruption was really declining (for example, Chile), did not succeed in a triumph of equity and victory over corruption. Furthermore, a situation in many countries has been worsening in the course of neoliberal transformations that opened new fields for illegal enrichment, rent seeking and corruption. Such an apparently civilised country as Argentina, a favourite pupil of the IMF till 2001, occupied the shameful 92-nd position (of 133!) on the corruption perception index (2.5 of 10.0), while Brazil, where the market reforms have been proceeded in 'soft forms' shared the 54-th position with Bulgaria and Czech Republic, with an index value of 3.9. Mexico shared the 64-th position with Poland (3.8). (The most 'honest' and transparent country in Latin America has been Chile – the 20-th position with the index at 7.4 in 2004, just between the US (7.5) and Israel (7.0).) [*TI, 2004: 146, 163, 173, 284-285*].

The reforms did not improve a situation to such a degree that it would be possible to speak about radical positive changes in relation to the property rights in Latin America, including the right of people to apply their labour force in the most effective manner. The economic and financial liberalisation influenced on a dynamics of wages and salaries in such way that it could hardly be recognised as optimal from the point of view of income distribution and labour resources allocation. As a rule, it did not succeed in a stable rise of

increased, as we will see in the next chapter.

the working, salaried people's incomes. Meanwhile, the low level of labour remuneration is one of the most important factors of poverty in the continent, and today the statistics of wages and salaries in Latin America do not allow looking forward with optimism. The economic growth that took place after the start of reforms until the mid-1998 had predominantly capital-extensive character and was accompanied by an increase of unemployment, which augmented from 5.8 per cent of the total labour force of urban areas in 1991 (not counting the Caribbean countries) to 10.0 per cent in 2004. The highest level of urban unemployment was reached in Argentina – almost 20 per cent in 2002 with a subsequent decrease to 13-14 per cent in 2004 and to 11-12 per cent – in 2005, in Colombia (three metropolitan areas) and Venezuela – 15-16 per cent, in Dominican Republic – 17 per cent (by approximate estimations). [CEPAL, 1999a, cuadro A-4; CEPAL, 2004a: 188; CEPAL, 2005a, cuadro A-22].

It is worth to note that the economic growth in 2004-2005 did not succeed in the respective fall of the unemployment rate. Certainly, the latter has shrunk but, according to estimations, to a lesser degree than the GDP has grown in most countries of Latin America. (Indirectly, gives testimony to the capital-intensive character of growth, which is based upon old industrial branches, superficially affected by technological modernisation.) The additional supply of labour force has been absorbed chiefly by *el sector de baja productividad* (the sector of low productivity), including its 'informal' and even illegal parts. In the 1990s, urban employment in this sector grew annually by 4.2 per cent, three and half times faster than in the formal sector. [CEPAL, 2000c: 68]. In the course of reforms, the share of employed in the informal sector of the Latin American urban economy oscillated around 44-48 per cent of the

total employed urban labour force. [CEPAL, 2000b: 137; CEPAL, 2003: 163].

Meanwhile, despite deep disparities and imperfections of the labour market in Latin America, where it is segmented to a much bigger degree than in the advanced OECD countries, there is the same tendency that is seen in the societies transcending towards a knowledge-based economy. Wages and salaries in Latin America depend mostly on the level of education of the abourers: their remuneration rises when the former increases, and an insufficient level of education as a whole is widely recognised as the main obstacle to poverty reduction in most Latin American countries.

The level of education, which enables to be able to hope not to fall into poverty, although, with no guarantee, corresponds to 11-12 years of schooling according to the CEPAL/ECLAC experts' estimations. [CEPAL, 2000b: 13]. Meanwhile, this level exceeds an average duration of the adult population's stay in school by 3.0-3.5 years, even in such countries as Argentina, Chile, or Uruguay [World Bank, 2003: 84-86], where the rate of literacy of adults was 90-97 per cent still some decades ago.

Today, in the conditions of globalisation, unequal access to such essential assets as education has probably become the most important factor of social inequality in Latin America. However, besides disparities in formal education levels among various social-professional groups of the Latin American population, there are also disparities in education quality, which widen inequality and influence on the level of wages and income distribution to no lesser extent than differences of the formal indicator - mean years of schooling. [Ferranti D. de e. a., 2004: 153-155, 181-182]. In the vast majority of Latin American countries, the called quality disparities have been aggravated by the extending demand for workers with tertiary education in several fields of knowledge which favours raising their

wages. (See: [Ferranti D. de, Perry G.E., Gill I., Guasch J.L. e. a., 2003: 55, 59]). At the same time, the reforms led to the relative superfluity of workers with secondary education in some branches. Moreover, the cases when university educated specialists cannot find jobs corresponding to their qualification are not rare in Latin America. It testifies to a structural misbalance between demand for and supply of labour force even within the relatively narrow top segment of the labour market comprising skilled, highly qualified professionals.

What has to be done to improve the recent situation?

Today nobody doubts that the most important key to the solution of the social-economic problems in Latin American countries lies in the sphere of human resources development although it is not the only direction of required policies. In addition, investments in human capital, i.e. expenditures, which are, to a big degree, independent on the market, become, in ever-increasing scale, one of the necessary preconditions of a 'strong market' functioning. Even such a foundation of a successful participation in global market competition as the enlargement and growth of the R&D sector ultimately depends on the quality of human resources, including people's capacities and their bias to creative activity.

Despite the proclaimed decrease of budget expenditures, corresponding to the neoliberal, monetarist principles, the governments of most Latin American countries augmented public and municipal spending for education and other social needs as well. From 1990 to the mid of the recent decade, public expenditures for education, healthcare, housing and social security in Latin America as a whole augmented really in both absolute and per capita terms from 1990 to 2001 by 60 per cent, or from 342 dollars per capita in 1990-1991 to 540 dollars – in 2000-2001.³² [CEPAL, 2003: 23, 174-

³² At constant prices in the US dollars of 1997.

175]. This growth meant an increase of the share of social spending in GDP by four per cent points. The dynamics of these expenditures can be seen in table 5.1.

Table 5.1. The Public Expenditures per capita for Social Goals in Latin America (in dollars 1997 and as percentage of GDP), 18 countries, 1990/91-2004/05.

Countries/Years	Expenditures in absolute terms				Expenditures as percentage of GDP			
	1990/91	1996/97	2000/01	2002/03 a)	1990/91	1996/97	2000/01	2002/03
Argentina	1211	1584	1650	1351	19.3	20.0	21.6	19.4
Brazil	786	843	936	712 b)	18.1	17.3	18.8	19.1
Chile	441	718	936	803	11.7	13.0	16.0	14.8
Colombia	158	403	337	281	6.8	15.3	13.6	13.5
Costa Rica	469	568	689	815	15.6	16.8	18.2	18.6
Guatemala	52	73	109	115	3.4	4.3	6.2	6.5
Honduras	60	56	77	133 c)	7.9	7.2	10.0	13.1
Mexico	259	352	456	632	6.5	8.5	9.8	10.5
Panama	497	653	853	719	18.6	20.9	25.5	17.3
Paraguay	57	150	148	120	3.1	8.0	8.5	9.0
Peru	76	166	187	179	4.0	7.1	8.0	8.0
Uruguay	888	1390	1494	1128	16.9	21.3	23.5	20.9
Venezuela	320	317	402	514	8.5	8.3	11.3	11.7
Latin America	342	473	540	642 d)	10.1	12.1	13.8	15.1 d)

a) – counted by myself (V.K.) on the base of data previously performed in constant 2000 dollars and the US GNP deflator

b) – estimation based on the information about expenses at the federal level of authority, without part of the expenditures at the municipal and regional levels

c) – 2004

d) – weighted average for 21 countries, except El Salvador and Honduras previously included into list of data.

Sources: *CEPAL*, 2003: 175-176 (data for 1990/91 – 2000/01); *CEPAL*, 2005b: 18-19 (data for 2002/03).

In Latin America, there is no country, where public expenditures for social needs in absolute terms as well as the percentage of the GDP have diminished since 1990. Despite the economic recession in some countries in 1998-2002; there is only one country – Colombia – where those indicators decreased after 1997.

Nevertheless, a notable increase of public expenditures for social needs was not sufficient for a radical poverty reduction in Latin America. (Obviously, without such an increase the social-economic situation in the region would be much worse.) Indeed, a matter is not only the total amounts of these expenditures, but also their efficiency. Meanwhile, sometimes social spending conceived as benefits for the poor people does not narrow but widens gap between the poor and rich. (See: [*CEPAL*, 2001b: 135-137; *Ferranti D. de e. a.*, 2004: 170, 259-267; *IADB*, 1998: 180, 190-200]. The contribution of the increases in social spending to diminishing income inequality depends on the character and directions of these spendings, the distribution of social expenditures, their sources, and other factors. For example, in relation to spending for education, inequality reduction depends on the enrolment rate for different categories of children and youth (for ages 17-24). In particular, the increase of public expenditures for tertiary education in some Latin American countries benefits the strata of the rich people, the major 'suppliers' of college and universities students to a much higher degree than the poor.

However, the regressive effect of social spending redistribution as well as its low effectiveness in some respects may be sharpened,

too, by the quality disparities between different kinds of spending. In the sphere of education, it concerns the essential gap in quality of education services provided by mass public schools, particularly, in rural areas, and those by schools in prestigious settlements of the upper class. The same can be said about the level of tertiary education in provincial colleges and the one in metropolitan universities of São-Paulo or Buenos Aires. Spontaneously, through a play of market forces, the quality disparities in education have been expressed in differences between skilled and unskilled labour's remuneration, which are more significant than differences between formal education attainments of different groups of workers. In particular, wage inequality in most Latin American countries is much higher than in West Europe or East Asia, whereas education inequality approximately corresponds to the average in the world. [IADB, 1998: 31; Ferranti D. de e. a., 2004: 178]. Respectively, education quality disparities make up one of the foundations for differences in 'the starting opportunities' for different categories of students in the future. Hence, the simple expansion of public spending for education may not succeed in the expected results in the improvement of education quality, and the equalising of students' chances for a professional career.

Indeed, Latin American governments spend for education not as little as it can be supposed, taking into account the general level of the region's development and GDP per capita. During the first half of the recent decade, they spent 4.2 per cent of GDP in average for education. (This indicator fell in the course of the lost decade of the 1980s but then resumed raising, particularly rapidly in 1991-1996 with a subsequent slowdown in the end-1990s but its growth, as a whole, has not been interrupted up today.) [CEPAL, 2003: 182-184]. Nonetheless, this increase of public expenditures for education did not allow augmenting essentially the general level of educational

attainment of the population. As a whole, it is low (lower than in East Asian NICs). Therefore, although education expansion seems indispensable for mass poverty and social inequality reduction, it is not sufficient to resolve the poverty problem. Evidently, quality of education becomes more significant for Latin America, from the point of view of this problem, than an extensive increase of mean years of schooling or the expansion of education spending as a simple continuation of the current trends in this field. [CEPAL, 2002: 315-318; Ferranti *D. de e. a.*, 2003: 24-30; IADB, 2003: 105-106].

It is no secret that pro-education attitudes are widespread in all social strata of Latin America. Nevertheless, such attitudes notwithstanding, in the course of the neoliberal transformations, some new factors that can become internal obstacles to education expansion arose making the pro-education policies difficult to be realised. Today, in several countries of the continent, the relative effective demand for secondary education is diminishing because, partly, there are high costs of schooling for many people, mostly in rural areas and poor suburbs of megalopolises. At the same time, some people do not see reasons and prospects for them to apply efforts aimed at getting a corresponding return on education because they do not feel a need to be well educated. The economic globalisation performed in Latin America not only requires education expansion but also, in many cases, devalues the significance of secondary education as a result of the simplification of the economic structures, including a tendency to de-industrialisation, while the demanded tertiary education remains to be inaccessible for most people from poor families.

In its turn, a part of the business elite in Latin America is not interested in the active maintenance of the education system. Many entrepreneurs and firms' executives prefer to hire a lower-cost labour force with low education instead of dealing with workers, who

are capable to defend their dignity and to find better jobs for themselves. This is a form of global structural adjustment, too, but rather in a negative sense, which depreciates all governments' and civil societies' efforts to accelerate the process of technological innovations across the region. The obvious modernisation of some branches of the national economies under influence of the acute competition and foreign capital inflows notwithstanding, the general technological backwardness of Latin America from leading OECD nations has been widening in the course of neoliberal transformations. The continent has not the proper base for advanced scientific researches, including such background of R&D as national scientific schools and traditions of research, and expends very scarce resources for these goals. For example, the ratio of R&D expenditures to GDP and capital assets, including the same indicator counted per worker, is much lower, 8-20 times less, than in the developed OECD and East Asian countries (see: [Ferranti D. de e. a., 2003: 37-42]). The only Latin American country, which expends more than one per cent of GDP for R&D (including expenses for post-graduation), is Brasil. The expenditures for R&D in Chile and Cuba in the first half of the recent decade were about 0.55-0.65 per cent of GDP, whereas such countries as Argentina, Mexico, and Venezuela expended only 0.40-0.45 per cent of their GDP for science and technologies [CEPAL, 2004b: 213-216], 5-7 times less in ratio to GDP than the most technologically advanced countries allot for the scientific-technological accomplishments. Such scientific and technological backwardness, non-corresponding to the level of GDP per capita in the leading Latin American countries, makes them extremely vulnerable to fluctuations of global demand.

As the experience of Latin America demonstrates over all the period of the statist and neoliberal modernisations, the policy of income redistribution for advantages of the poor is indispensable for

poverty and inequality reduction. Nevertheless, a real eradication of poverty cannot be obtained only throughout a redistributive policy. What is essentially important for the resolution of the given problem is, besides the adequate industrial, technological, educational and regional policies, a real democratisation of political and social life. The transparency and public debate, the control of society of the activity of local and central authorities, 'proposals from below' that concern social policy and the use of resources, the permanent dialogue between people in power and society, and so on, become necessary conditions for effective income redistribution aimed at poverty decreasing. In other words, the resolution of social problems presupposes the development of various forms of ordinary people's participation in the process of decisions taking, including 'a classical mechanism' of elections at all levels of power.

At the same time, the development of democracy depends on how the eradication of poverty and various forms of social discrimination are successful.

It is notable that after the defeat of the authoritarian regimes in the 1980s, the legal handover of power from one president to another throughout relatively transparent elections has become an ordinary practice in the vast majority of Latin American countries. "By the first time in history, the developing region with profoundly unequal societies is, as a whole, politically organised under the democratic regimes." [PNUD/UNDP, 2004: 36].³³

Assessing the period after the end of the lost decade (the 1980s) up today from the political point of view, we can treat it as an outstanding achievement of political modernisation in the continent.

³³ India, the biggest democracy in the world, represents by herself the specific exception from the rule "democracy is incompatible with poverty and inequality". However, it is noteworthy to remember that poverty and inequality have been reducing, although unevenly, with fluctuations, in the course of all Indian development since independence.

For instance, even in Argentina, where the armed forces had a long-time experience of military coups in the XX Century, when a jeopardy to stability arose as a result of economic crises, the army, being discredited over the years of military-fascist dictatorship in 1976-1983 did not pretend 'to restore order' in the conditions of mass riots by the end of 2001.

Nevertheless, the future of political democracy in Latin America can hardly be performed as shine and cloudless. The reality of the region allows speaking about a specific Latin American 'triangle' that emerged in the course of neoliberal transformations: democracy – poverty – inequality. [PNUD/UNDP, 2004: 36-39]. However, as it is well known, the conservation of mass poverty and broad social inequality does not favour the effective functioning of the democratic political and legal institutions. It is not occasional that the number of people, who are disappointed with democracy increases almost in all Latin American countries except a few of them. Respectively, the number of those, who consciously support democracy and share democratic values decreases. In 1996, 61 per cent of the questioned persons preferred democracy to all other political regimes. In 2002, their share diminished to 57 per cent and in 2003-2004 to 53 per cent.³⁴ [PNUD/UNDP, 2004: 137; *Latinobarómetro*, 2004: 4-5]. In particular, the share of supporters of a democratic regime has diminished by 20 per cent points (from 59 to 39) in Nicaragua and Paraguay, by 18 points – in Peru, by 14 – in Colombia, by 13 – in Costa Rica, by 9 (from 50 to 41 per cent!) – in Brazil, and by 7 points (from 71 to 64) – in Argentina. Only in three countries (of eighteen that were under consideration!) support of democracy has

³⁴ Data on 18 countries of Latin America: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela.

increased: in Chile – by 3 per cent points, in Honduras – by 4 points, and Venezuela – by 12 points.³⁵ [Latinobarómetro, 2004, pág. 5].

At the same time, the number of people, who want an authoritarian regime to be established is seemingly not too high: their share has diminished by three percentage points – from 18 per cent in 1996 to 15 – in 2004. Meanwhile, the number of those for whom the character of the political regime is indifferent has increased from 16 per cent in 1996 to 21 per cent in 2004. Therefore, at least, 36 per cent of all adult citizens in eighteen Latin American countries would not protest against authoritarianism if it could be established. However, this relative minority can essentially rise if it has been proposed to choose between democracy and economic development. In 2002, 48.1 per cent of those people, who prefer democracy as the best form of rule, would agree to exchange democracy for economic development. Almost 45 per cent (44.9) of 'all admirers of democracy' would support any authoritarian government if it could be able to resolve the social-economic problems of their country. Respectively, the total number of people, who evaluate economic development as more important than democracy reached 56 (56.3) per cent in 2002, and 54.7 per cent would become supporters of an authoritarian government, capable to resolve economic problems. [PNUD/UNDP, 2004: 137]. In turn, sincere 'non-democrats', people, who do not support democracy as a form of rule, compounded 26.5 per cent of all Latin Americans (in 2002) but in the countries of Mercosur³⁶ and in Chile, the region,

³⁵ The previous, bipartisan democratic system in Venezuela was used by Hugo Chávez to come to power and then to establish, throughout democratic procedures, "semi-authoritarian", neo-populist regime with the mass support of the poor. This is one of cases when democracy can appear in sharp contrast to liberal principles (see in details, for example: [Zakaria F., 2004, chapter 3, esp.: 94-101]).

³⁶ Mercosur – Mercado del Sur (South Market) – the economic and trade organisation of Argentina, Brazil, Paraguay, and Uruguay. Bolivia, Chile, and Venezuela collaborate with Mercosur being the associated members of this regional organisation.

which cannot be assessed as the poorest and the most underdeveloped in Latin America (except Paraguay, truly a poor country), the number of 'non-democrats' reached 34.5 per cent (while in Mexico and Central American countries, among, while in such poor and backward countries as Honduras and Guatemala, this indicator was less 20 per cent – 19.7 in 2002). It is worth to pay attention, too, to the fact that the level of education of 'non-democrats' is much higher than the average one in Latin America – 9.3 years of schooling while the mean education attainment in the continent does not exceed 6 years. [PNUD/UNDP, 2004: 141, 144].

At last, there is also the problem of the poor efficiency of political democracy. The recently functioning democratic institutions in Latin American countries do not satisfy even those people, who are consciously adhering to democracy and democratic principles of rule. Hence, it is not surprising that many do not trust the political systems and politicians in the continent. For example, still in 2002, only 2.3 per cent of the questioned persons asserted that the elected rulers keep their electoral promises, but 64.6 per cent were sure that politicians do not do it because they consciously cheat voters for the sake of electoral victory. [PNUD/UNDP, 2004: 49]. Indeed, the problem of confidence in political institutions in Latin America has been aggravating over the entire period of neoliberal reforms. The institution with the highest confidence ratings is the Roman Catholic Church (its rating of confidence has decreased a little from 76 per cent in 1996 to 71 per cent in 2004, but essentially exceeds the rating of the TV, the armed forces, the police, presidents, parliaments, and political parties). [*Latinobarómetro*, 2004: 34].

A low level of confidence in the state and other political institutions can be explained referring to the global changes, when the national state loses its positions, while the supranational structures, in broad spectre from the international financial

institutions to the NGOs, have been strengthening instead of the civil society. However, in the conditions of peripheral and semi-peripheral countries' *structural adjustment*, when the states are leaving the economy in peace, realise a deregulation policy, and refuse to practice social paternalism rooted in the old ISI model, many people feel themselves socially disoriented. They lose accustomed economic anchors and, very often, are searching for ways of survival in a sphere of illegal activity. Hence, it is not an occasional coincidence that economic liberalisation has been accompanied by rising criminalisation. Violence in various forms has become an indistinguishable satellite of the neoliberal reforms in most Latin American countries [CEPAL, 1999b: 207-227].³⁷ It allows one to speak about 'the anaemia of the state', when the weakening of the state does not mean strengthening of the 'new' civil society, whereas 'the old' one, arisen out of the populist policy and ISI, has been eroded and suffers a defeat as the result of neoliberal transformations. Such a situation generates what can be called *ciudadanía de baja intensidad* (citizenry of low intensity). [PNUD/UNDP, 2004: 63].

Actually, in many Latin American countries, the democratic regimes co-exist with 'a simulacra of the state', basically illegal, when formal laws are replaced by 'rules' that have been issued by criminal, Mafiosi (sinister) structures, which may function on large territories that rest out of control of the state. Obviously, the existence of such zones is incompatible with democracy. Indeed, neither police nor the justice system are able to confront those zones if the latter accomplish real social functions, ensuring large masses of people survival in the situation of horrible poverty, unemployment and desperation. In its turn, it affirms once more, although, so to

³⁷ For example, in the end-1990s, the rate of incidence of violent deaths in the poorest districts of São-Paulo city exceeded the similar rate in the richest ones sixteen (!)

speak, in a negative manner that *political democracy cannot be effective without social democratisation and the resolution of social problems.*

In positive sense, the efficiency of the mutual addition of social and political aspects of democracy to each other is proved in Chile, one of the few Latin American countries where the adherence of the people to political democracy has gradually been strengthening. Indeed, Chile built up an effective redistributive state, which, somewhat, *equalises opportunities* of people from different social strata and reduces poverty, despite the remaining wide income differentiation. But how long will 'the Chilean model' function without serious fluctuations and disturbances? Presupposedly, taking into account what the structure of Chile's economy and external trade is, this model has to be assessed as increasingly vulnerable in front of global demand, and the country needs 'to modernise her modernisation' ('to reform her reforms') before she will face inevitable difficulties.

In this context, it becomes evident that the main problem, Latin American societies confront over the last two decades is, perhaps neither economic growth for itself nor poverty eradication, but the activity of the social actors [*Touraine A.*, 1997: 440-444], who are able to change a vector of the continent's navigating in the stormy ocean of globalisation.³⁸

Nonetheless, today, although it is, probably, too early to make definite conclusions, it can be supposed that such actors have arisen in Brazil, where political democracy allowed the New Left forces to come to power. For the first time in the history of the largest Latin

times. [*PNUD/UNDP*, 2004: 63, note].

³⁸ "Latin America has long been a region with a deficit of actors. In contrast with its superficial image as a continent of revolutions, Latin America has experienced more revolutionary situations than revolutionary movements, and frustrated hopes have been more common than organized radical action." [*Touraine A.*, 1997: 444].

American country, the man of 'the barefoot underclass', Luiz Inácio Lula da Silva, supported, nevertheless, by a big part of the middle and upper-middle classes' voters, was elected as the president of the country. In some respects, the policy of Lula is subsequent in relation to reforms initiated by the social democrat Fernando Henrique Cardoso in the mid-1990s. Both administrations pursue the searching for a balance between macroeconomic stability and social development founded upon a reconsideration of state capacities. At the same time, in other respects, the recent government of *Partido dos Trabalhadores* ('Labour Party') operates in a much more radical manner than the preceding one. The main slogan of Lula in the course of his electoral campaign, *fome zero* – hunger zero programme, or "each Brazilian has a right for three meals a day", has begun to be realised.

It is necessary to note that the social policy of the Lula government, besides its strong redistribution aspect and direct assistance to the indigenous people, has been correlating with development – industrial, technological, and educational – policy. In particular, over 25 months (from January 2003 when Lula came to office to February 2005), his government created 2.3 millions work places, almost three times more than the administration of Cardoso did. [PT, 2005: 4]. It was achieved, to a big degree, due to the lowering of taxes on enterprises, mainly in industry. The latter, in its turn, has to be reconstructed, according to the goals of a profound modernisation of the manufacturing sector.

Respectively, the government of Lula raised the expenditures for education by 28 per cent – from 16.6 billion reais in 2002 to 21.2 billion (=8.76 billion US\$) in 2005. This amount comprises neither the expenditures for poor families' children schooling that have been financed from a distinctive programme, *Bolsa Escola* (aid to poor people for schooling), nor the expenses for tertiary education (they

compound the additional sum of 13.4 billion reais except the mentioned amount), nor the expenditures of the local authorities. [PT, 2005: 23-24]. A part of this sum is destined for the realisation of the sub-programme "ProUni" – "University for all" aimed at supporting the tertiary graduation of students from poor families.

In combination with the visible improvement of the main economic indicators, this growth of the expenditures for education demonstrates the tight cohesion of the economic and social aspects of development in the 'post-development epoch'. In principle, this approach is adequate to the challenges, which Brazil, as well as other semi-peripheral countries, have met over the last fifteen-twenty years. Nevertheless, a set of 'unforeseen circumstances' can impede the resolving of the existing problems, and we have a chance to see very soon whether the aspirations for the proposed alternative to the neoliberal models are efficient or not.

However, independently of the expectations with regard to the Left government's policy in Brazil, already today the main implication of Brazilian and Latin American development as a whole for the other developing nations consists in arguing that neither governments, nor business elites, nor radical intellectuals can alternate the vector and pace of a society's movement, if society itself does not want and is not ready to do it. Such a banal truth as well as the significance of the social actors of development has been examined, unfortunately, rather with negative results in the course of the social-economic, cultural and political transformations of Russia and other CIS countries, the formerly republics of the Soviet Union, after the collapse of their catching up development.



6. The Case of Russia: Decline as a Pattern of Development in the Conditions of Globalisation

As a result of the Soviet system's internal disintegration culminating at its crucial point in 1991-1993, a new social-economic and political-institutional state has arisen in Russia as well as in the other republics of the former USSR, now the formally independent countries. There are many terms and labels to designate and define the social system recently existing in Russia and CIS as a whole – from 'semi-criminal state capitalism' to 'thievish economy'. (See, for example: [Faravel-Garrigues G., 2004: 183 et ff.].) However, whatsoever labels would be attached to the Russian/CIS social-economic and political-legal order, this system can be characterised as a kind of bureaucratic capitalism with evident inclination to criminal activities, when state officials, corrupted in the vast majority, and criminal elements make up a single 'social body'. One of the essential features of such system is the unity of power and property: an access to power is the main condition to augment 'the material substance' of property, and power becomes the main resource for any successful economic activity of any proprietor.

Bureaucratic capitalism in its essence is a child of the XX Century, functional/managerial capitalism modified in the conditions of peripheral and semi-peripheral countries. When the state is the main social actor of development (at least, because all other actors are impotent in the social-economic respect), but, gradually, becomes to be relatively weakening because it is incapable to control the extending flows of all resources and outputs. Then various groups of officials approach to privatising the state's functions. In particular, officials get an opportunity to be involved into private business,

directly or through their relatives and cronies, due to an access to economic resources. Bureaucrats accomplish functions of capitalists, and, in addition, positions in the state apparatus become indispensable grounds for personal enrichment. At the same time, private businessmen find themselves being subjugated to bureaucrats and dependent on them. Any official has sufficient 'capacities' ('administrative resources') to help or, on contrary, to impede any private business. Evidently, such practice opens broad ways to rent seeking instead of real, productive business.

In Russia, it is possible to observe the complete integration of the top officials and politicians into business activity, mainly, in the raw materials extracting branches, what is unimaginable in other countries (except the CIS, of course). For instance, seven important persons of the nearest circle of President Putin controlled the biggest state-owned or mixed, [but with prevalence of the state shareholders] companies that held assets 222 billion US\$ (about 37 per cent of the Russian GDP) and got a pure profit of 11 billion US\$ in 2004. These persons occupied the positions of the Head of the President's Administration and his deputies, the Assistants of the President, minister of finances, minister of industry and energy, and deputy of prime minister. Being top officials, they accomplished duties of chairpersons in the directors' or supervising boards of the respective 'business units'. [*Orekhin P., Samedova Yev.*, 2005: 1, 3].

Due to the so-called 'liberal reforms' in Russia, rent seeking in its various forms is a more profitable activity than 'white', honest and transparent, industrial business. The rate of bureaucratic rent exceeds the rate of industrial profit and does not require applying such efforts as the maintenance of the production process presupposes. The existence of many social, political and administrative institutions familiarises with rent seeking. This practice depreciates human capital because neither education nor

professional skills in a rent seeking society yield such 'remuneration' as bureaucratic rent does. In Russia, the most precious capital is 'a complement' of specific social contacts and interpersonal ties, which have, as a rule, an essential importance for the personal, mostly illegal, 'success story'. An access to 'the people, who are able to take decisions' (particularly, those concerning the allocation of resources) is more significant than individual efforts and capacities. In the end, the functioning of such specific 'social capital' succeeds in a negative selection of those people, who have neither good qualification nor individual merits. Evidently, one of the considerable features of rent seeking practices is corruption, which becomes an indistinguishable element of any business at all stores of the Russian economy's building. Hence, it is not surprising that Russia is assessed as one of the less transparent countries and, according to the estimations of Transparency International in 2003, shared the 86-th position (of 133!) with Mozambique, having a scandalously low index 2.7 (of 10.0) [TI, 2004: 246, 285]. In 2004, her 'index of honesty' has grown a little by 0.1, to 2.8, but the country has slipped to the 90-96-th positions (of 146!) sharing them with Gambia, India, Malawi, Nepal, Tanzania, and (again!) Mozambique. [TI, 2005: 190, 237].

What are the main results of the Russian bureaucratic capitalism 'work'?

Perhaps, the most important of them is that "[F]or the first time in recent world history one of the major industrial nations with a highly educated society has dismantled the results of several decades of economic development – however tortuous, costly, and often misdirected it may have been – and slipped into the ranks of countries that are conventionally categorized as 'Third World'." [Reddaway P., Glinski D., 2001: 3].

As it is well known, one of the major proclaimed goals of neoliberal reforms in Russia/CIS and Latin American countries as

well was macroeconomic, financial stabilisation, namely, the repression of inflation. Indeed, hard measures, such as the radical cut of budget expenditures, the abolition of many tax exemptions, privileges and trade preferences, the increase of the interest rate, etc., undertaken by reformers within the framework of monetarist policy, allowed establishing control over inflation. However, since 1992 its rate was never below 11 per cent that was obtained in 1997 ('calmness before the storm of 1998') but till today, the average annual rate of inflation in Russia is higher than in most Latin American countries, the restrictions of budget expenditures and stable positive fiscal balance over the last years notwithstanding. Probably, this fact is the first 'warning sign' (among many other ones!) for those people in Asia, who believe in IMF tales about a direct dependency of inflation on fiscal and monetary policy. As the Russian experience indicates, inflation is a much more complicate phenomenon than 'the output of money' in a rising degree.

The financial stabilisation obtained in Russia in 1997, only over five years after start of 'the shock therapy' (!), had the reverse side – the catastrophic fall of GDP in absolute terms and per capita. Since 1989, the last year, when the agonising economy in the Russian Federation and USSR as a whole had grown a little before reforms, the GDP decreased dramatically almost by 50 per cent, and Russia fell to the level of Brazil by the GDP per capita measured by PPP, whereas in 1990 she exceeded Brazil at least 1.6 time by this indicator. (Counted on: [*Maddison A.*, 2001: 288, 341].)

No economy in the modern era knew such a catastrophic fall of output in the peaceful time as the Russian economy experienced in the 1990s. Moreover, this decline performed by the Russian authorities as the 'inevitable cost of the transition towards a free market economy', had been accompanied by the rise of non-market relationships. Namely, the Russian economy over the first years of

reforms suffered such a phenomenon as the drastic enlargement of barter trade between enterprises as well as the increase of non-payments, including non-payments of salaries and wages (in 1997-1998 the total volume of barter was equal to 50 per cent and more of all internal trade in Russia).

De-monetisation of the national economy did not really oppress inflation but turned it into a non-monetary form because it did not diminish demand. Furthermore, de-monetisation was favourable to the growth of inflation because of the decreasing output that succeeded in the increase of the marginal and average costs of production, peculiarly, in the conditions of an imperfect, extremely monopolised market.

Only after the financial crisis of 1998, when the government and monetary authorities refused the neoliberal, pro-IMF dogmas barter trade began shrinking, but this phenomenon did not disappear completely up today and took form of non-payments (mainly, on reasons of institutional character with regard to wages, particularly, in small towns).

In addition to the restrictive monetary policy, the Russian economy was profoundly affected by the fast liberalisation of external trade, combined with the relative revaluation of the national currency, when the rate of the Rouble inflation was higher than the pace of decrease of the Rouble's exchange ratio to hard currencies. It facilitated an inflow of imported goods. Imports, at current prices in US dollars, increased from 1992 to 1997 by 70 per cent; they grew faster than GDP fell (by 37.5 per cent). (Counted on: [*Russian Statistical Yearbook*, 1998: 16, 743].) It succeeded in the simplification and degradation of the economy's and external trade structures, i.e. to de-industrialisation, which became the prevailing trend of the Russian economy and society. In contrast to most Latin American countries, which used new technologies for selective

modernisation of the old industrial branches and the service sector, mainly in banking and communications, Russia slipped down from the level of productive technologies achieved in Soviet times, except a few branches, chiefly telecommunications and finances in big cities.³⁹ The structural misbalance, which played an important role in the USSR's collapse, has been aggravated since the start of reforms. The structure of the Russian economy becomes much more 'heavy' than it was in the Soviet period: a decrease of output in manufacturing branches exceeded a fall in fuel and raw materials extracting branches oriented mostly to the external markets (see table 6.1).

³⁹ In truth, a modernisation of the banking sector in Russia has been contradictory. For instance, when I twice, in 2000 and 2004, delivered a series of lectures at the economic faculty of St.-Petersburg state university, the faculty's account department could not transfer my remuneration to my personal account at the local branch of the Saving Bank (the biggest state-owned bank in Russia) in Moscow, whereas in the Soviet times such transfer was not difficult. Since remuneration has been paid to guest-lecturers with one month lag, my Petersburg colleague, head of the economics department, who invited me, got my honorarium on the warrant I previously remained to him and then sent the money to my home address through... the system of electronic transfer.

Table 6.1. The ratio of output in main industrial branches of Russia to the level of 1990 (1990=100%)

	1992	1995	1998	2001	2002	2003	2004
Industry as a whole	75.4	49.7	46.2	58.7	61.0	65.3	69.3
Electricity energy power	95.3	79.9	75.2	78.4	77.9	78.7	78.9
Petroleum industry	84.6	68.7	67.4	77.4	84.4	93.9	102.0
Gas industry	98.0	87.1	85.2	90.7	93.5	98.4	101.2
Ferrous metallurgy	78.0	59.2	53.9	71.2	73.3	79.8	83.8
Chemical/petrochemical industry	73.3	47.5	42.8	62.4	63.1	66.0	69.9
Machinery building/metals processing	76.5	40.3	37.1	54.3	55.4	60.5	66.7
Light industry	63.7	18.5	12.6	19.2	18.6	18.1	16.7
Alimentary industry	76.4	53.1	49.6	65.9	70.5	74.1	77.1

Counted on: [Russian Statistical Yearbook 2000: 302; Russian Statistical Yearbook 2004: 359; Russian Statistical Yearbook 2005: 377].

In the process of *structural adjustment* to global demand, Russia is specialising on production and exportation of the intermediate goods with a high share of capital expenditures. [UNDP, 2003: 32-35]. At the same time, three hundreds of the most advanced, unique technologies were lost in the course of the first years of 'reforms' – lost forever! – because of poor financing and lack of interest of the ruling circles in them. Respectively, the structure of Russian exports as well as that of industrial output degraded to a rising degree. In particular, the share of machinery and equipment in total Russian exports to non-CIS countries fell from 9.6 per cent in 1999 to 7.1 per cent in 2003, while that of petroleum and petroleum products (without gas!) increased from 28.9 per cent to 41.9 per cent,

respectively. (Counted on: [*Russian Statistical Yearbook*, 2003: 639, 642; 2004: 655, 661].)

Economic growth in Russia resumed only after the financial crisis of 1998, when the national currency was depreciated by 70-75 per cent.⁴⁰ This growth has been a consequence of spontaneous import substitution because of the increased relative prices of imported goods. The threefold devaluation of the Rouble built up trade barriers and defended the internal market from external competition. Internal demand had been re-switched to purchasing of the national goods. Moreover, the semi-communist government of Primakov – Maslukov, the most pro-market government of Russia over the entire period of reforms (!), approached industrial policy but could not realise it, because of the resistance of Yeltsin’s circles and the subsequent dismissal in May 1999.

After the crisis of 1998, in 1999-2003, the Russian GDP has grown by 47 per cent, according to the official data. However, despite fast growth and the ambitions of the ruling regime in Russia to double GDP up to 2010 or 2012, this growth does not change the branch structure of the Russian economy. Innovative activity remains to be insignificant. It is not interesting for the ruling officials, charged by thoughts about redistribution of money and resources flows for their private advantage. In other words, even from the purely technical-economic point of view, the growth of the Russian economy does not succeed in its qualitative development.

Very often Russian liberals propagate the conception of the ‘new economy’ that presupposes a priority of the innovative, creative activity as the main direction of Russian development. According to

⁴⁰ As a rule, many observers and analysts explain the Russian financial crisis of 1998 referring to the new conditions of financial globalisation, the attacks of speculators, etc. Meanwhile, such main cause of the crisis as ordinary swindling and plundering of assets by the ruling “elite” (gang), in particular, a construction of financial pyramid of the state bonds, has not been considered at all.

such an approach, the old industrial sectors have to be treated as non-perspective and declining. Nevertheless, innovations and creative kinds of economic activity in Russia have not the same background as in the western post-industrial countries or in East Asia, where they are based upon a highly developed industrial economy, which, in its turn, needs innovations and scientific research. In the concrete Russian conditions, few segments of the so-called 'new economy' are not linked to the industrial production and cannot really contribute something to the modernisation of declining industry.

The problem of economic growth as well as of the structural shifts inside the national economy cannot be isolated from considering social aspects of development, including such ones as poverty reduction. Meanwhile, since 1991, Russia and the other CIS countries, formerly republics of the USSR, experienced a skyrocketing increase of poverty. Because of 'the shock therapy' during the first months of reforms, the share of Russian population below the poverty line augmented some times and reached 33.5 per cent (50 million people) in 1992. Simultaneously, a special ordinance of the government voluntarily moved down the line of poverty by half. Hence, by criteria of poverty established in the last period of the Soviet Union's existence, the share of poor people in the total population of Russia reached 50-60 per cent, as many independent experts argued. In the following years, this share gradually diminished (to 20.8 per cent in 1997) but after the crisis it jumped up to 28.3 per cent again. In 2002, the total number of poor was about 35 million, or 25.0 per cent of the population. In 2003, due to good conjuncture at the world petroleum market, it has shrunk to 29.6 million, or 20.6 per cent of the total population; in 2004, the total number of poor has declined to 25.5 million people, or 17.8 per cent of the population. [*Russian Statistical Yearbook*,

1998: 207; 2003:169; 2004: 175; 2005: 205]. Comparing these figures to the rate of economic growth indicates that the latter in Russia has been much faster than poverty alleviation. It means that the yields of growth have been distributed in an extremely unequal manner.

Considering poverty, it is worth to examine how the Russian indicators of poverty correlate with those in other countries, particularly, in Latin America. If one applies the CEPAL/ECLAC criterion of poverty (poor people are those, who expend half or more of their incomes for purchasing food) to an analysis of poverty in Russia, it is possible to estimate the real level and size of poverty in the country using the data about households expenditures (see table 6.2).

Table 6.2. The share of expenditures for food purchasing (without alcoholic beverages) in the total current expenditures of the Russian households, 1997-2004 (by deciles) ⁴¹

Deciles	1997			2000			2003			2004		
	A	B	C	A	B	C	A	B	C	A	B	C
I (the lowest)	68.8	15.6	53.2	65.4	14.4	51.0	63.1	13.4	49.7	61.2	11.5	49.7
II	66.1	15.1	51.0	63.5	13.5	50.0	60.7	12.6	48.1	59.2	10.6	48.6
III	64.5	14.9	49.6	61.9	13.0	48.9	59.2	11.7	47.5	57.3	10.4	46.9
IV	62.9	14.6	48.3	60.6	12.1	48.5	57.2	10.9	46.3	55.2	9.3	45.9
V	60.8	13.6	47.2	57.9	10.9	47.0	54.8	10.0	44.8	53.0	8.8	44.2
VI	57.9	12.2	45.7	55.0	9.9	45.1	49.5	8.6	40.9	50.0	7.7	42.3
VII	52.6	11.0	41.6	50.1	8.6	41.5	46.0	7.5	38.5	44.4	6.4	38.0
VIII	49.3	10.1	39.2	46.8	7.2	39.6	41.6	6.3	35.3	40.3	5.2	35.1
IX	47.6	10.2	37.4	43.4	6.5	36.9	39.6	5.8	33.8	36.9	4.8	32.1
X	39.3	12.4	26.9	35.5	5.4	30.1	33.3	4.8	28.5	31.3	3.7	27.6

⁴¹ In the given case, we presuppose a difference between the households' total incomes and expenditures as insignificant.

Explanation. Column A comprises data on expenditures for food as percentage of the total current expenditures for ultimate consumption. Column B signifies supply of food in the natural form (yields of the kitchen-gardens, gifts from the countryside relatives, etc.) as percentage of the total current expenditures for ultimate consumption, and column C – expenditures for food purchasing as percentage of the total current expenditures in monetary form, i.e. $C=A-B$.

Sources: Russian Statistical Yearbooks, 1998: 235; 2001: 190; 2004: 211; 2005: 225).

Looking on the table, one can conclude that about 60 per cent of the Russian families live beyond 'the Latin American' line of poverty, a gradual improvement of the social-economic situation after the 1998 default notwithstanding. Even the households that pertain to the sixth, seventh and eighth deciles survive balancing near the 'Latin American' poverty line. As in the case of Latin American countries, the main (but not exclusive, of course!) cause of poverty in Russia is the low level of wages of most people. These wages differ insignificantly from the poverty line, to a lesser degree than in Latin America. In particular, the average monthly wage in Russia exceeded the minimal subsistence level only 2.8 times (data for 2004) – in contrast to Latin American countries where it was higher than the subsistence level 4.8 times (from 3.0 – in Honduras to 6.5 times in Chile and 7.0 – in Panama. [CEPAL, 2001b: 84; *Russian Statistical Yearbook*, 2005: 190].

In addition, Russian working people in their vast majority get wages and salaries that are very close to or even beneath the poverty line (the wages disparities in Russia are much wider than in Latin American countries). It has been expressed in the existence of a large group of people, about 50 per cent of the total population, whose incomes per capita are within 1.0-2.0 lines of poverty, or, in

other words, exceed the minimal level only a little. Hence, there are serious foundations to suggest that a tremendous part of the employed population in Russia cannot provide the necessary subsistence for themselves. Indeed, according to the independent experts' estimations, most people consume only 60-70 per cent of the rational, medically founded norm of qualitative food. Actually, undereating, notably in respect to such products as meat, fish, fresh fruits and vegetables, milk and various milk products, has become a constant feature of everyday life of many families in the country, whose socially irresponsible political leaders pretend to be 'rulers of a great power'.

In the conditions of Russia today, mass poverty is undistinguished from the shocking inequality that encompasses wages and all other incomes as well. By the official data, the ratio of incomes between the top and bottom deciles has increased from 13.5:1 in 1995 to 15:1 in 2004, whereas many social scientists and experts estimate it as 30:1 and even 40:1. (Respectively, Gini coefficient has augmented from 0.387 to 0.407 over the same period [*Russian Statistical Yearbook*, 2005: 203].) Furthermore, an archaic unity of property and power as the character feature of Russian criminal-bureaucratic capitalism, with horrible corruption at all levels of authority, inevitably aggravates social-economic inequality. And not always in Russia today, the richest people are those, who are owners of petroleum companies. Among the Russian nouveaux-riches, there are many high rank state officials, including governors of some regions.⁴²

⁴² For instance, some governors, ministers, members of parliament and other VIPs paid 20-26 thousand euros (respectively, 40-52 thousand for themselves and their wives) for pleasure to trip by comfortable ship "Westerdam" to Athens where the summer Olympic games were held in 2004. At the same time, they declared that their annual incomes in the preceding year did not exceed 10-12 thousand euros. [*Latukhina K. e. a.*, 2004: 1, 7].

As recently the United Nations, the World Bank and other international organisations argue, the problem of poverty concerns not only a low level of consumption and material deprivation but also has much broader dimension. Poverty, besides underconsumption of necessary goods and services, has been encompassing inaccessibility of education and medical services to people, a poor environment, social vulnerability, voicelessness and powerlessness in attempts to solve everyday problems, and other forms of exclusion from social life. [Castells M., 1998: 128-165, 344-345; World Bank, 2001: 15-21]. Accordingly to such an approach to the poverty problem, many people in Russia have to be placed in the category of the poor, even despite a satisfactory level of their material well-being, because they are socially vulnerable and/or defenceless in front of the police or officials' arbitrariness.⁴³ Thus, various forms of vulnerability and exclusion from social life are no less significant dimensions of poverty in Russia than material deprivations. As Russian and foreign sociologists, who study this issue in Russia assert, the prevailing forms of social exclusion, in opinion of most respondents, are the following: non-access to education of good quality for children; deprivation of cultural values; inability to maintain social contacts, including the ones with relatives living in other cities; permanent uncertainty (impossibility to plan anything in everyday life); the impossibility to find a good job; a lack of medical care; the impossibility to provide a good relaxation for children. [Tikhonova N., 2003b: 115-124].⁴⁴ (At the same time, all enquired respondents had

⁴³ One of the expressions of such arbitrariness is the police racket and applying of tortures to people arrested or detained without law court sanctions. This practice is widespread in the Russian police and has been considered in special reports published by international organisations, in particular, Human Rights Watch and Amnesty International (see, for example: [AI, 2002: 17-47].)

⁴⁴ As N. Tikhonova argues, "the chief manifestations of social exclusion in Russian cities are lack of access to the main forms of social participation: regular purchase of newspapers, etc.; using cultural and leisure facilities; social visits, including to relatives living at a distance; being able to afford either extra lessons for children or

their own homes or apartments, although, in many cases, the latter were of poor quality. Perhaps, the crowds of homeless people in the big cities are still 'the bright future' of Russian criminal-bureaucratic capitalism.) As a whole, about 40 per cent of the total population in Russia are excluded, to more or less degree, from social life and/or economic activity: 12-13 per cent of all adults are 'stably excluded' and 25-28 per cent are balancing at a bound of exclusion. [Tikhonova N., 2003a: 146, 148-154].

Mass poverty in Russia, in contrast to poverty in Latin American countries, almost does not depend on the education level of people. The general rule of global transition towards a post-industrial, knowledge-based society, 'higher education – higher incomes', is not applicable to Russia, or, rather, this rule works only in some big Russian cities and spheres of activity: big and medium business, management, consulting, private expertise. Many people who graduated from colleges and universities, schoolteachers, medical doctors, collaborators of museums, former engineers, and many scientists, are doomed to survive below the poverty line. This fact proves that neither Russian business nor political leaders are interested in qualified, skilled labour: the exports of petroleum and gas do not presuppose a need in services of teachers and intellectuals, which are treated as a ballast that exceedingly overloads the ship of the Russian petroleum economy.

It is not astonishing that the poverty of most of the population has become the main (but not the only!) factor of the demographic catastrophe, which has hit Russia. Despite migration of Russians and other Russian-speaking people from the former republics of the Soviet Union to the Russian Federation, the total population

to get the best out of their school studies; good health and access to essential treatment. *All this is accompanied by a feeling that it is impossible to change one's own life, a constant sense of the injustice of events, bitterness, pressure, malaise, disappointment and shame.*" [Tikhonova N., 2003b: 123].

decreases almost by 1 million people a year. Another factor that affects negatively the demographic situation in Russia concerns social-psychological attitudes of people to their life and prospects. Many Russian citizens look forward without a minimal optimism and are not sure in their stable future, so they have none desire to care for children. This is an inevitable reaction to the anti-development processes in the country.

The deterioration of the social-economic situation and, in particular, the rise of mass poverty inevitably affected the main source and ground of development in the contemporary world – the human resources. Unfortunately, the authors of one of the UN Human Development in Russia reports had all foundations to assert that “the state of human development in Russia... must be rated as unfavorable.” [UNDP, 2003: 22]. In fact, it would be more correct to speak about human degradation in the country; what is proven, for instance, by the negative dynamics of such universal indicators as the human development index (HDI). In the mid-90s, this indicator was below the level of 1980(!). In the world, there are only few countries that demonstrate such dynamics of human development (in particular, Romania, both Republics of Congo, Côte d’Ivoire, Kenya, Lesotho, South Africa, Swaziland, Zambia, and Zimbabwe. [UNDP, 2001: 10; UNDP, 2002: 154-156; UNDP, 2004a: 144-146]). Besides, Russia has fallen out the group of countries with a high level of human development.

However, the problem consists not only in the general decline and stagnation of human development index as a whole but also in the widening disparities between various regions of the Russian Federation. This trend can be examined through such indicators as the gross regional product (GRP) per capita either at the current prices or measured in US dollars by the PPP and the regional HDI

over the last years.⁴⁵ Analysing these indicators' trends, the authors of the 2003 Human Development in Russia Report made conclusions about the "increasing gap in regional development" and the widening human development indices' disparities between regions and territories of the Russian Federation. [UNDP, 2003: 75, 78]. Such conclusion has been based upon the fact of the increased coefficient of statistical variation of the GRP per capita (at the current prices) in the ratio to the weighted mean GRP. In particular, this coefficient jumped from 44.8 per cent in 1994 up to 57.3 per cent in 1996, diminished a little to 55.2 per cent in 1998 but then began to increase sharply again and reached 57.7 per cent in 1999, 66.0 per cent – in 2001, and 71.5 per cent – in 2003. (Counted on: [Russian Statistical Yearbook, 1998: 58-59; 2003: 294-295; 2005: 334-335]).

What concerns the GRP measured in US dollars by PPP and the regional human development indices, these indicators are essentially below the national average level, too, in the vast majority of Russian 79 regions⁴⁶. In 2000, the GRP per capita in US\$ by PPP was higher than the national average GDP per capita in 14 regions and territories. In particular, the GRP per capita in City of Moscow was equal to the four-fold GRP per capita in the Vladimir and Kaluga regions (17,279 US\$ by PPP in Moscow in contrast to 4,352 and 4,454 US\$ by PPP, respectively), both are reachable by trains from Moscow within two hours. The gap between the GRP per capita in the richest region (Tyumen) and the poorest one (Tyva Republic in the East Siberia) was equal to 14 (!) times (25,178:1,795 US\$ by PPP)

⁴⁵ The author used the Russian Statistical Yearbooks for 1997-2005 and the UN Human Development Reports on Russia for 2001-2005.

⁴⁶ The total number of regions, territories, autonomous republics, areas and districts in the Russian Federation was 89 until 2003 when the process of the regions' merging commenced. However, it has to be taken into account that, for example, Khanty-Mansy and Yamalo-Nenetsian autonomous areas with rich gas and petroleum fields are parts of Tyumen region.

in 1999 and had enormously increased – to 19.9 times (30,470:1,530 US\$ by PPP) (!) – in 2001 when the Republic of Ingushetia (North Caucasus) 'displaced' Tyva as the poorest region of Russia. In 2002, it has widened to 37.3 times (38,411:1,031) (counted respectively on: [UNDP, 2003: 80-81; UNDP, 2004b: 83-85; UNDP, 2005: 168-169]). By the end of the past millennium, there were only three regions in Russia, the Tyumen region, City of Moscow, and the Republic of Tatarstan, where the HDI exceeded 0.8 and, thereby, corresponded to the high level of human development. In 2001, Tatarstan has left this group, and in 2002-2003, Russia has had only two regions with high human development: the City of Moscow (0.855 in 2001 and 0.846 in 2002) and Tyumen (0.847 in 2001 and 0.866 in 2002). [UNDP, 2003: 14, 80-81; UNDP, 2004b: 83-85; UNDP, 2005: 168-169].

In addition, and to make our estimates complete, it is interesting to compare Russian interregional disparities by HDI and GRP per capita with those in Argentina and Mexico, the countries staying approximately at the same level of development as Russia.

In Argentina, the ratio of the highest income per capita (La Ciudad de Buenos Aires) to the lowest one (Jujuy province) measured in the US dollars by PPP was equal to 4.0 in 1995 and did not change significantly in 2000 (3.9) (La Ciudad de Buenos Aires to the province of Corrientes). What concerns the coefficient of variation, it has been much lower than in Russia although increased a little – from 36.2 per cent in 1995 to 39.6 per cent in 2000. (Counted on: [PNUD/UNDP, 2002a: 82-84; 2002b: 65].)

In Mexico, the ratio of the richest region (the Federal District, or La Ciudad de México) to the poorest one (the state Chiapas) by GRP per capita was higher than in Argentina but, nevertheless, looked very moderate being compared with the similar Russian indicator – only 6.1 (23,403:3,816 US\$ by PPP) in 2000 with a subsequent

increase to 6.6 (22,122:3,364) – in 2002. The coefficient of variation was equal to 45.1 per cent in 2000 and 49.3 – in 2002 (the variation coefficient counted for GRP at current prices in pesos was equal to 41.4 per cent in 2002). (Counted on: [*PNUD/UNDP*, 2002c; *PNUD/UNDP*, 2005: 194, 214].)

Thus, the interregional differentiation in Russia notably exceeds that in the two leading Latin American countries comparable with her. Nonetheless, it cannot be said that the Russian government ignores this situation. On the contrary, the interregional social-economic disparities in Russia would be much wider if the authorities would not redistribute incomes among the regions. However, these re-distributive efforts are not sufficient and do not correspond to the strategic task of the balanced regional development. Since the Russian State has neither a clear strategy of the country's development as a whole nor an industrial policy, at least, for several branches and territories, the transfers of resources to poor regions do not succeed in real positive changes. Moreover, such policy (or, rather, a lack of policy) puts up objective premises for the country's disintegration.

The disastrous social and interregional differentiation provokes, certainly, a reaction of protest against the negative, destructive tendencies that enforce many people to survive even through violation of laws. In other words, the social revolt against mass impoverishment, alienation, and human degradation in Russia looks as an outburst of negative, destructive social energy, taking a form of mass criminalisation that pierced all levels and aspects of Russian social life. It encompasses the mass consciousness, too, and ruins all moral sentiments, which are treated as relics and prejudices of the past.

Is Russian society capable to avoid a catastrophic decline? In principle, yes, it is, and the main strategic task that has to be solved

immediately is to stop the degradation of human capital instead of the abstract 'macroeconomic stabilisation' founded upon petroleum and gas exports. Such a step presupposes, *prima facie*, a radical alternation of education and social policy.

Meanwhile, since 1991 the expenditures for social needs – not accounting expenditures for the retired people's pensions, healthcare and education – had dramatically shrunk in the Russian Federation from 2.8 per cent of GDP to 1.1 per cent in 1999-2001. In 2004, they have fallen to 0.8 per cent. The consolidated expenses for education, public healthcare, social insurance and assistance at all levels of authorities, both federal and local, were equal in total to 13.4 per cent of the Russian GDP in 2002 and decreased to 8.75 – in 2004. This amount was approximately equivalent to 310-350 US dollars per capita at the current exchange ratio. Comparing this figure with the social expenditures per capita in some Latin American countries (see preceding chapter, table 5.1), everyone can conclude that Russia loses the competition not only to the largest and/or most developed nations of Latin America (Argentina, Brazil, Chile, Mexico, or Uruguay) but also to such countries as Colombia and Venezuela. Particularly a mournful situation exists in the sphere of education where the public expenditures in the course of 'reforms' were 2.0-2.5 times lower than in the late Soviet period. In 2002, their average magnitude was 420-430 US dollars at the current exchange ratio per student at all levels of education – from primary schools to universities. In 2004, it has grown to 700-800 dollars per student. However, this amount related to the total population was equal to 85-90 US dollars in 2002 – a little more than the same indicators in Honduras and other poor, less developed Latin American countries, being elevated to 140-150 dollars in 2004, the level corresponding to the average in Latin America as a whole. (Counted on: [*Russian*

Statistical Yearbook, 2003: 30, 197-199, 209, 550; 2005: 323, 200, 608, 786]).

Furthermore, since 2004 the ruling regime has approached the 'simplification' of the schooling programmes. On the one hand, it presupposes diminishing hours that have to be devoted to studying 'complicate subjects', such as mathematics, physics, biology, etc. On the other hand, it means that most pupils are doomed to study only 'the minimal complement' of subjects whereas 'the intellectually (and, in fact, financially!) advanced students' will have an opportunity to be 'profoundly aware' of the chosen disciplines. Truly, the sphere of education in Russia has been suffering today almost the same processes of social segregation ('elitisation') that takes place in some Latin American countries, mainly, in the secondary and tertiary education. [CEPAL, 2002: 308 et ff.]. Indeed, the petrol state, according to the ruling circles' vision of the country's future, does not need large masses of educated people because such people can hardly be manipulated and will potentially become 'the dissenting persons', who are able to think critically and even to overthrow the socially irresponsible, corrupted politicians. From the point of view of the recent Russian 'elite', to rule the semi-literal masses is much easier than to deal with intellectually developed voters.

Certainly, despite devastating tendencies of human development and the deep structural crisis that is apparently camouflaged by a good rate of economic growth but sooner or later will inevitably take "open forms", Russia is still capable to stop her drift to catastrophe and to alternate the recent dangerous trends. **The country has sufficient material and intellectual resources to alternate the trajectory of spontaneous slipping down to the world periphery.** Moreover, in Russia there is not a deficit of alternative

ideas and projects of development aimed at the real transition towards the post-industrial stage.

Nevertheless, the elaboration of an adequate strategy of Russian development is not the matter. What is the matter is the problem of the **social actor of development in Russia**. Here it seems relevant to refer again to Helio Jaguaribe because this prominent social scientist has grasped the main problem, which concerns either Russia or many other countries in the conditions of globalisation. **“In effect –, says the Brazilian scholar, – most of the remaining problems of development in today’s world are concerned at some level with the question of converting status-enjoying elites into functional elites. This is the case of practically all the African countries, and it continues to be a problem in Latin America as well.”** [*Jaguaribe H.*, 1997: 210]. Actually, Russia today faces the same problem as the ones that torment Argentina, Uruguay, and Venezuela – the problem of *functionality* of her business and political elite, including counter-elites that could potentially replace the latter and initiate real changes. Certainly, this problem has also another dimension; namely, it concerns human dignity and the decisiveness of ordinary people to resist to bureaucratic insolence and the authorities’ offensive to their privacy. Very often, people are biased to social conformity and opportunistic attitudes instead of a search for alternatives to the existing order. They prefer to be passively adapted to a situation but not to change it, and such attitude is inherent to the most socially advanced strata that have sufficient opportunities to express their approach and to poor people as well, who are accustomed to survive at the minimal level of subsistence being adherent to the conservative-paternalistic stereotypes of behaviour.

Unfortunately, the pattern of political-ideological controversy described by Samir Amin regarding the former Third World is

completely applicable to the situation in Russia and other CIS countries. **As Samir Amin wrote, the subdivision of political forces into 'Right/Left' has been replaced, in the conditions of developing regions, by another one – 'Reaction/Development'.** Hence, a choice between these two poles in peripheral countries is much more important than that between conservatives and social democrats in the West. This is a *real choice* whereas in the latter case the problem concerns nuances and details of secondary importance but not essence. [Amin S., 1991: 27-30]. In Russia, too, the dilemma of 'Right or Left' does not stay on the agenda today. There is another choice – between a 'functional elite' and ultra-conservative, reactionary forces that dominate economically, politically and ideologically today.

Recently, for the first time in the history of Russia over the last four hundred years, since the great turmoil at the beginning of the XVII Century, the people in power are, at the same time, irresponsible and anti-nationally oriented. Perhaps, Tsars and Bolsheviks were, in their majority, poor, narrow-minded rulers, and did not correspond to those tasks and challenges to which Russia should have to respond. But they were not anti-national actors, who thought how to weaken the country. Today, all efforts of the Russian lumpen-elite are aimed at the solution of twofold task (which, actually, cannot be solved at all):

1) the decrease and the de-intellectualisation of the population because it is the only way, from the point of view of the 'rulers', to augment the incomes of petroleum exports, and 140 million people are an enormously big population for achieving this purpose;

2) to be recognised as a part of the world elite, to become pertaining to 'the golden billion'. Certainly, these two goals are incompatible with each other because the West (and now the industrialising East as well!) respects only those politicians, who

think about real development of their countries and do not plunder state assets. However, such truth is over-exceedingly difficult and complicate to be comprehended by the Russian ruling circles.

The process of post-soviet transformation in Russia and other CIS countries has been accompanied by the rise of so-called transit, or transfer, class. This social group, ruling in Russia as well as in the Ukraine, Azerbaijan or any other of the CIS dozen, personifies the core of criminal-bureaucratic capitalism. It has the support of the small but influential middle strata that encompasses state officials, highly paid personnel of big companies, political 'technologists' and journalists of the state mass-media, domestic servants of the Russian nouveaux-riches, and top-positioned swindlers of various kinds. The main interest of this class consists in the conservation of *status quo*, the recent transition period. It has no desire to restore the old system (that is impossible at all) but, at the same time, does not want moving towards an effective, innovative, competitive economy and political democracy. The ruling transit class agrees to admit a modernisation only to such a degree that it does not threaten its privileges and power. Hence, it is not astonishing that the ruling stratum in Russia speaks about macroeconomic stability and financial stabilisation in the IMF style instead of active industrial and social policy, oriented to real development. In fact, these speeches sound as invocations that have been resembling to declarations of all, military and civilian, governments in Argentina from the seizure of power by the military-fascist junta in 1976 to the failure of the neoliberal policy in 2001 under the democratically elected president Fernando de la Rúa (see, for example: *Nochteff H.*, 1991: 339]). Just like it was in Argentina until 2002, the Russian transit class treats the solution of the problems of transition towards a competitive economy with self-sustaining growth only as automatically attainable results of macroeconomic, financial stability.

Such a narrow-minded approach to development is intrinsically conditioned by the lack of interest of the ruling circles in development of the country. This attitude was involuntarily manifested in genuinely brilliant manner by Victor Chernomyrdin, the prime-minister of Russia under the presidency of Boris Yeltsin and since 2001 the ambassador of Russia to the Ukraine: "We wanted to make things better, but they have turned out the same as always". These words had quickly become one of the favourite Russian people's aphorisms although they sounded as mockery to the idea of development: if things turn out the same, as always, it is hardly possible to speak about progressive changes. However, the main 'secret' of things' turning as always has two aspects linked to each other. The first consists in the endeavour to having nothing to do with improvement because of the evident interest to maintain the *status quo*. The second aspect concerns the inadequate approach to the situation in the country. For example, such an inadequacy was clearly demonstrated by Georgy Poltavchenko, the Authorised Representative of the President in the Central federal district that is constituted by 18 regions, including Moscow region and the capital city. This high ranking official spoke about the demographic problems in the regions subordinated to his supervision, appealing to the regional officials, journalists and activists of civil society organisations:

"...The demographic situation is horrible, shocking. The birth rate is declining. It has immediately to be improved. We can raise the total population of the district by 400-500 thousand each year. This goal can be reached without additional budget expenditures. What is necessary only, is a desire and capability to work. The regional mass media must be responsible for propaganda of the authorities' demographic policy. In particular, the local newspapers and TV channels must expose the image of Barbie, because this American

puppet orients children and teenagers to false values, which are very far from values of family, home and child-care." [Ofitova S., 2003: 1-2].

Thus, Barbie, this artificial child of the baby boom and mass consumption society, is 'appointed' responsible for the disastrous decrease of the population in Russia. Such 'an appointment' reminds the times when all failures and difficulties had been explained by 'the snares of imperialism'. It would be possible to suppose that such an approach is the fantasy of a semi-crazy old man of ninety-nine years. However, Mr. Poltavchenko, the person, who is very close to President V. Putin, is man about fifty and, seemingly, has good health. What is his problem is an astonishing obstinacy in the non-desire to recognise the social-economic and social-psychological roots of the current demographic trends in Russia. This is the case when either personal stakes or narrow-minded vision, or ordinary stubbornness make up artificial lenses, which do not allow seeing reality.

The obvious absurdity of the ruling stratum's approach to 'the subject of rule' is conceptually undistinguished from frankly anti-developmental views widespread among the top officials, the business community and journalists that use any opportunity to propagate their 'calls for destruction' of Russian industry, impacting on mass consciousness. For instance, Elena Tregubova, formerly the Kremlin correspondent of 'Commersant' daily, writes in her devastating book "Notes of the Kremlin Digger":

"I can offer an advice to the Russian government: to destroy all plants and factories built up in the Soviet time".

She quotes words of Alexander Pleshakov, the former head of Transaero Air Company and later the member of the upper house of Russian parliament (the Council of Federation) pronounced during Putin's visitation to Voronezh aircraft plant: "Indeed, all these (made

in Russia – V.K.) aircraft jets should be removed to a garbage area”. [Tregubova E., 2003: 13]. It is interesting to learn how Pleshakov and Tregubova explain the superiority of the ‘Boeings’, comparing them to the Russian jets. They both refer to neither aerodynamic parameters, nor engine qualities, nor avionics but merely to good quality of Boeing board lavatories equipped by vacuum flush. Actually, such an approach means technophobe and anti-intellectual world-views that succeed in the triumph of irrationality and aggressive obscurantism. While Russian science is declining because of poor financing and lack of interest of the ruling circles to any scientific-technological innovations, various forms of obscurantism and false sciences have been ‘cultivated’ with warmth being introduced into educational programmes of schools and universities. Moreover, the obscurant ideas are very popular on the top of Russian authorities.

S. Shoygu, the minister for emergencies situations (this authority body is responsible for rescue works after catastrophes, earthquakes, etc.), one of the leaders of pro-Putin party “United Russia”, announced on TV (December 2002) that his ministry draws peculiar attention to astrological prognoses.⁴⁷ On January 16, 2003, the formerly minister of culture Michael Shvydkoy, performing himself as TV showman, proceeded the TV-show “It is possible to trust to astrologers only” with the participation of one ‘eminent astrologer’. By the way, according to sociological polls, about one fifth of ordinary people in Russia believes in astrology but among businessmen, top officials and politicians this share is much higher. An astrologer occupied a position in Yeltsin’s administration staff; and he offered advices concerning itineraries of the president. Under

⁴⁷ These and other similar facts mentioned here are borrowed from the journal ‘Zdravyi Smysl’ (‘Good Reason’) that has been published by Russian Academy of Sciences. The total number of copies of each issue is about 1000 (one thousand) in contrast to some hundred thousands and million copies of the obscurant ‘literature’.

Putin, astrologers are influential persons close to his administration, too. In addition, the Ministry of education published and recommended the book "Tales about astrology" for reading in schools.

All these events, which are, in essence, the propaganda of obscurantism and diabolism, as the Russian Christian Orthodox Church (as well as all other Christian confessions) teaches, have been combined with demonstrative religiosity of the top bureaucrats and political leaders. Nevertheless, the top Orthodoxy hierarchy keeps silence, avoiding of public assessments regarding such strange and 'suspicious', from the point of view of Christianity, activity of the Russian politicians.

Certainly, when astrologers and other 'prophets' dream to court to VIPs, they have obvious 'terrestrial' purposes. The rise of obscurantism and belief in 'super-natural', paranormal phenomena opens additional accesses for a definite category of 'pundits', being a form of corruption and plundering. In particular, the mentioned Ministry for emergencies supports the laboratory of 'extrasensory activity', which has to elaborate 'esoteric recommendations' concerning the natural cataclysms, earthquakes, and rescue works. The Ministry of Defence finances the 'military sub-unit', which proceeds experiments with ... sorcerers, wizards, and witches. Someone, a Mr. Grabovoy, Dr. of Sc. in physics and mathematics, as he called himself, had still appeared in B. Yeltsin political environment. This 'scientist' asserted that he was able to 'check thoughtfully', without special equipment, whether the president's aircraft is in good technical condition or not. At the same time, Mr. Grabovoy delivered lectures to the Ministry for emergencies staff and consulted ... the Council of Security of the Russian Federation, the consultative authority body headed by the President of the country. The last achievement of his 'wizardry' consisted in the promise to

revive children, hostages of the terrorists, who captured the school in Beslan.⁴⁸

The widespread obscurantism is witness to rising tendencies towards fascism in Russia. (As it is well known, Hitler and other 'fathers' of Nazism believed in astrology and other occult 'sciences' rejecting any rational, 'Jewish-liberal' or 'Jewish-marxist', knowledge.)

Evidently, the ruling transit class tends to establish the regime of political reaction, hoping to oppress any opposition to its dominance. These intentions have been combined with the attempt 'to revive' some symbols and aspects of the Soviet period (such as 'powerfulness'), what corresponds to the nostalgic feelings of many people. However, no real movement towards modernisation, which maintained the military-technical power of the Soviet Union in the past, accompanies these attempts. As well, appealing to the Soviet heritage does not mean that the pro-government forces are capable of establishing an authoritarian regime, which is not the same thing as a police (more exactly, criminal-police) regime only. As Marie Mendras, the French specialist on Russia and the CIS, has noted in her interview with 'Le Monde', "today Russia is neither a democratic nor an authoritarian country. President Putin has no means to exercise power of authoritarian character." [*Mendras M.*, 2003].

Such an inability either to rule in conditions of democracy or to establish an authoritarian regime is conditioned by the social background of the Russian power. The latter is an outcome of the old, preceding system's disintegration and mutation, including such processes as the privatisation of the state functions by various

⁴⁸ At last, in April 2006, Grabovoy was arrested being accused in... deception after ten years of his activity. There are two possible explanations of this fact: either he has become victim of the conflict between two groupings of officials or he did not share his extra-incomes with top-positioned protectors, so the latter decided to punish him for greed.

criminal-bureaucratic groupings at different levels of authorities, often fighting with each other. (A police regime can co-exist with privately appropriated functions and institutes of the state. An authoritarian regime, particularly, if it is oriented to development, on the contrary, does not tolerate privatisation of state institutes.) In its essence, the Russian system of power today is "a mustiness arisen on a gas and/or petroleum pipeline", whereas the authorities in other CIS countries are derivatives of the Russian mustiness. [Ivzhenko T., 2003: 5].

In addition to these uncomplimentary characteristics of the political inheritors of the Soviet system, it can be said that mustiness has a habit to eat itself, so its existence is limited in time. A shameful, scandalous end and disappearance of criminal-bureaucratic capitalism looks like an inevitable prospect, and the main question concerning the Russian future has to be subdivided into two following 'sub-questions' inseparable from each other. 1) Will the Russian Federation survive within the contemporary borders? 2) Who and what will appear from under the ruins of criminal-bureaucratic capitalism? No one can exclude that a further archaisation of all aspects of social life will be the inevitable cost of stabilisation after the recent systemic crisis. Moreover, this archaisation may become the necessary condition of survival in the permanently changing world. At the same time, in the case of Russia's disintegration into several parts, some of them, particularly the ones without resources or with scarce resources, in the future can become shining, advanced countries while other parts will experience all negative consequences of the exclusion from the world system.

Nonetheless, any of such scenarios for Russia as a whole will demonstrate the multi-variability of development in the post-development epoch. This multi-variability is not excluded in the

region, which seemingly symbolised the most successful way of catching up development over the last third of the XX Century – in East and Southeast Asia.



PART 2. THE ASIAN 'TIGERS' FROM SUNRISE TO AFTERNOON

7. The Background and World Context of Wonderful Transformation of 'Kittens' into 'Tigers'

While the pioneers of the XX Century catching up development, the USSR and Latin American countries, confronted difficulties in an ever-extending degree, moving to the deep systemic crisis; and while development policies failed in the most African and Asian countries; and while traditionalism offending modernity arose in the Middle East and the Soviet Central Asia, it seemed there was only one region in the globe that accomplished a function of exclusion from a mournful situation in the Third World. It was East and Southeast Asia, where the rapidly growing NIEs looked as swimmers that successfully swam back up to the river's flow. In the 1980s and afterward, until the mid-90s, when many development studies began to be resembling catching a black cat in a dark room whereas the cat stayed outside of the room, the NICs of E/SEA symbolised the last hope for developmentalism, manifesting a real opportunity of the breakthrough from poverty and backwardness. Obviously, Amartya Sen has seen a real foundation to treat the Asian experience as the pattern of development with its all hidden reefs. He wrote: "Asia, I would agree, is a great source of understanding and knowledge about the process of development in general. A fuller analysis of Asia's achievements and problems is a good way of assessing the demands and challenges of development itself." [*Sen A.K.*, 2000: 3].

Nevertheless, the achievements of the Asian 'tigers' as well as those and the failures of the former USSR and Latin American

countries can be conceived, on the one hand, only in the definite world context, and, on the other hand, as the outcomes of coherence of the internal and external factors and challenges. The peculiar character of the latter pre-determined, to a big degree, the uniqueness of the wonderful transformation of small, weak 'kittens' of the world system into 'tigers' over historically a short while.

Certainly, all wonders and miracles in the economy and in social life have some premises and backgrounds that have been created in the course of previous development, which appears as an accumulation of the crucial mass for qualitative changes. Indeed, the Asian NICs, even when they were not yet industrialised, had, nevertheless, some base for the industrial take-off, and this base was formed as a result of their positions as colonies and vassal states with respect to the leading powers since the end of the XIX Century. Seemingly, this group of countries as a whole lost to the Latin American nations by the yardstick of GDP per capita and the general level of 'pre-industrialisation'; they were comparable with Latin America only by the level of literacy of the population (tables 7.1 and 7.2).

Table 7.1. GDP per capita (in US dollars of 1990 and in ratio to the same indicators in the US and Japan, %%) in the recently NICs of East/Southeast Asia, 1950-1970

Countries	GDP per capita								
	In absolute terms			In ratio to the level of:					
				the USA, %			Japan, %		
	1950	1960	1970	1950	1960	1970	1950	1960	1970
Hong Kong	2218	3134	5695	23.2	27.7	37.9	115.2	78.6	58.6
Singapore	2219	2310	4438	23.2	20.4	29.5	115.2	57.9	45.7
South Korea	770	1105	1954	8.1	9.8	13.0	40.0	27.7	20.1
Taiwan	936	1499	2987	9.8	13.2	19.8	48.6	37.6	30.7
Indonesia	840	1019	1194	8.8	9.0	7.9	43.6	25.6	12.3
Malaysia	1559	1530	2079	16.3	13.5	13.8	80.9	38.7	21.4
Philippines	1070	1475	1761	11.2	13.0	11.7	55.6	37.0	18.1
Thailand	817	1078	1694	8.5	9.5	11.3	42.4	27.0	17.4

Source: *Maddison A.*, 2001: 206, 279, 304-305. The ratios to the levels of the US and Japan are counted by myself (V.K.) on data in absolute terms.

Table 7.2. Literacy of the Adult Population (age 15 and more, %%)
in the recently NICs of E/SEA, 1950-1970

Countries	Year of census	Rate of literacy	Year of census	Rate of literacy
Brazil	-	-	1960	49.4
Chile	1952	80.2	-	
Mexico	1950	56.8	1960	65.4
Venezuela	1950	52.2	1961	65.8
Hong Kong	-	-	1961	71.4
Singapore				
South Korea	1955	76.8	1960	82.2
Taiwan	-	-	1956	53.9
Indonesia	-	-	1961	42.9
Malaysia a)	-	-	1957	47.5
Philippines	-	-	1960	71.9
Thailand	-	-	1960	67.7

a) – Malaysia without Sabah and Sarawak

Sign “-” means that data are not available

Sources: *UNESCO*, 1966: 39-42.

In the 1950s-1960s, the level of the recently E/SEA NICs' development measured by GDP per capita was notably lower than the one in the USSR and most Latin American countries except the poorest of them. In 1960, only Hong Kong, then a British colony, exceeded Brazil and corresponded approximately to Mexico by the called indicator (3134 international dollars of 1990 in Hong Kong, 3155 – in Mexico). GDP per capita in the other countries of East Asia, which later made up the group of 'tigers', was 2-4 times less than in any of the developing nations of Latin America, not speaking about such countries of the Latin American continent as Argentina,

Uruguay, and Venezuela. (Even Japan stayed very closely to most Latin American countries by this indicator.) (Counted on: [Maddison A., 2001: 277, 288-291, 304-305]).

The relative backwardness of East/Southeast Asia (except the trade enclaves Hong Kong and Singapore), in comparison to Latin America (then the most advanced region in the Third World) had been result of their preceding development. Over the first half of the XX Century, namely, in 1913-1950, the East Asian economies, except Japan, did not demonstrate a fascinating rate of the growth, and the negative 'contribution' of wars was not the only factor of relative stagnation in the region over the four decades. For example, in the Philippines, GDP per capita grew by 0.4 per cent per year in this period. In Thailand, GDP per capita did not grow at all, while Korea and Taiwan suffered a fall of their GDP per capita by 0.2 per cent annually in contrast to the leading Latin American countries, where the economic growth had been accelerated due to the realisation of the ISI strategy. [Maddison A., 1995: 63].

However, despite the relative social-economic backwardness and scarce natural resources (among the E/SEA countries under consideration only Indonesia, Malaysia and Thailand, i.e. the second-tier 'tigers', had abundant resources), the Asian triumphant 'catchers up' had initially some industries, including manufacturing ones that arose during the long period of 'pre-industrialisation'. Since the end of the XIX Century, this 'pre-industrialisation' enabled accumulating the necessary experience amidst the growth of low-skill industries oriented mainly to external markets. For example, 'the focal points' of industrialisation in Taiwan and Korea (in the latter case, concentrated mostly in the northern part of the country) rose under Japanese rule and guidance, being engaged into the metropolitan economic system. Actually, the Japanese colonial expansion facilitated and accelerated the 'pre-industrialisation' of Korea and

Taiwan, acquainting local entrepreneurs with manufacturing industries, though correspondingly to the Japan's proper interests. [Amsden A.H., 2001: 99-111; Cumings B., 1987: 45-47, 52-59; Harris N., 1986: 33-35; Hersh J., 1993: 51-58; Wade R., 1990: 73-75]. Moreover, in Taiwan, then called Formosa, the Japanese authorities realised an agrarian reform, bourgeois in its essence, according to the principles of Meiji revolution. Land rights were removed from the parasitic landlords to those of the proprietors, who were able to manage the lands and organising their real cultivation. In the 1950s, under American supervision, the agrarian reforms were further moved on their way of capitalist development that seriously subverted and constrained any possible resistance to bourgeois evolution from the side of landlords' circles. In other words, the colonial authorities of Japan and, after the World War II, the American advisers helped, independently from their personal desires and purposes, to purge and cultivate a social soil for capitalist development in the small East Asian countries, and in Taiwan and South Korea as well. [Jacobs N., 1985: 82-93; Moore M., 1988: 113-152]. These reforms were a very important positive factor that favoured, at least, in the prospect, the rapid industrialisation of the region, in contrast to Latin America, where the system of landlordism with gigantic latifundias in rural areas had been a serious obstacle to the enlargement of the internal markets and intensive industrial development.

All countries of the region under consideration, including the Philippines, saw the regional failure of catching up modernisation, and passed through the stage of ISI and experienced all its positive and negative aspects, particularly, in the conditions of narrow, small-scale internal markets and a shortage of resources for investment. In the process of real development, the stage of ISI was the first and indispensable stage of industrialisation in E/SEA, as it was in Latin

America. [*Jomo K.S.*, 1997: 95-98; *Kuo Sh.W.Y.*, *Fei J.C.H.*, 1985: 48-50; *Ranis G.*, 1979: 211-221; *Wong J.*, 1979: 52-92, 163-182]. Actually, this stage preceded to the rapid outward-looking development of the region. [*Cumings B.*, 1987: 66-69; *Rasih R.*, 2003: 32-41; *Wade R.*, 1990: 77-82, 84-90; *Wu Yu-Shan*, 1997: 145-152]. Meanwhile, the ISI stage in the region elapsed over so short a time that many researchers and students of the E/SEA development did not pay attention to this period and involuntarily considered the transformation of the weak 'kittens' into 'tigers' of the world economy as result of exclusively export-oriented industrialisation. Moreover, strictly speaking, the ISI policy as the economic policy in East Asia did not cease to stay on the agenda even when the outward-looking development of the region became a widely recognised evidence. However, it appeared rather as an additional tool than as a mainstream of the development strategy, attributing 'flexibility' and, at the same time, 'props' to the export-led growth. For instance, In Korea and Taiwan a combination of the both, inward- and outward-looking strategies took place, though with an obvious prevalence of the latter.

The original low level of social-economic development as a whole notwithstanding, South Korea, Taiwan (Taipei) province, or Hong Kong and Singapore, being compared with the industrialising Latin American countries, had some essential comparative advantages that, in the long-term prospect, could become important factors of their success. These advantages concerned the social-cultural aspects of East Asian societies; in particular, there was higher average level of the people's education than in most Latin American countries. Still in 1950, the mean education attainment (as equivalent years of primary education) of adults (age 15-64 years) was 3.62 in Taiwan and 3.36 in Korea while it was equal to 2.05 in Brazil, 2.21 – in Venezuela, 2.60 – in Mexico, 2.66 – in Colombia.

Only few Latin American nations looked, in this respect, better than East Asia (except Japan): mean years of schooling were 4.80 in Argentina and 5.47 – in Chile. (At the same time, in such a poor European country as Portugal, this indicator was equal to 2.53.) [*Maddison A.*, 1995: 77].

However, higher level and better quality of the people's education was not the only factor that pre-determined the historical success for E/SEA. Strictly speaking, there was a whole set of factors and premises, which allowed hoping for good prospects of the region's development in spite of the moderate indicators of GDP per capita. [*Chaponnière J.R.*, 1997: 25-26].

Nonetheless, to have a potential for successful development was a necessary but not a sufficient condition of real success. This potential should also have to be used in an adequate manner. In this connection, I allow myself to remind one case. Once, in the end of 1998, just after my return from Malaysia and Singapore, the deputy-director of the institute where I worked asked me to read and briefly review a solid book written in Russian by a colleague, a professor from Almaty. The book was titled "The Experience of the Asian 'Tigers': Can Kazakhstan Panther Follow their Path?" (Certainly, the author implied an affirmative answer to the question put in the book's title.) I read this book and said: In my opinion, despite all attempts of the author to argue the possibility of Kazakhstan to follow the way of the Asian industrial 'tigers', really he demonstrated that neither whatever panthers nor any other cats are able to make it ...

The author of the book described very well the concrete experience and mechanisms of accelerated development of the E/SEA NICs, including the governments' policy favourable to the rapid industrial growth, but he said nothing about the real world context in which the 'kittens' could turn into 'tigers'. However, it is

impossible to understand and appreciate the E/SEA accomplishments ignoring the external context that was probably no less important for success than the internal premises of development. The East Asian 'miracle' could hardly be possible beyond the concrete conditions that existed in the region and the capitalist system as a whole in the 1960s-1970s.

Meanwhile, the concrete situation in the region as itself was not beneficial for a successful industrial development at all.

Indeed, East Asian industrial modernisation began when the Cold War confrontation of the two superpowers took the form of a real, 'hot' war in the region, initially in Korea and later in Vietnam. Almost simultaneously, in the late 1950s - the early 1960s, Maoist leadership of the Communist party of China publicly announced the pretension to be the 'torch' for all exploited and oppressed peoples of Asia. Since it refused recognising the superiority of the Soviet Union and CPSU in the 'socialist camp' and in the international communist movement, the clash of their interests and those of the Soviets was inevitable, and E/SEA became the major field of this conflict. Evidently, it did not stabilise the regional situation and encouraged various political forces into either rightist or leftist radicalism. (The Indonesian tragedy of 1965-1966, when the conservative part of the armed forces, on the one hand, and pro-Maoist leaders of the Communist party inspired from Beijing, on the other hand, provoked each other for 'the decisive uprising' and clashed in a bloody battle, was the clearest illustration of this destabilising tendency.)

Besides world-scale conflicts and clashes that took place in the region, there were also many local tensions and confrontations of social-cultural, religious, and ethnical character, which jeopardised

the security of countries belonging geographically to E/SEA.⁴⁹ In particular, there were such problems as the subversive activity of the clandestine, guerrilla movements and separatist tendencies, inter-ethnic tensions, which sometimes erupted in mass riots (the case of the Chinese-Malay clash in Malaysia in 1969), and, at last but, of course, not least, mass poverty of the population that lived in conditions of semi-famine existence, lack of pure drinking water, and pandemic diseases. In such a situation, each of the region's countries might involuntarily be involved into the global play of the world powers, risking losing political independence and, as a result, to disappear completely from the political map of the world. Hence, it was not surprising that politicians and ordinary people in the region felt themselves in a state of uncertainty and anxiety like if they were living within 'a besieged fortress'. Lee Kuan Yew, the first prime minister of Singapore, one of the main creators of the East Asian 'miracle', clearly described these feelings that disturbed many people in the region, who were asking themselves: Would Britain stay in Singapore for a longer time? Could America be able to replace the British lion as the guarantor of security and stability in the region while she was deeply involved into the war in Vietnam? Who could counter the Soviet and Chinese anti-American propaganda in the Third World? What should be done with regard to Indonesia, which was under pro-Maoist communist influence and wanted to destroy the city-state? "It had become a matter of life and death. All Chinese know the saying: big fish eat small fish, small fish eat shrimp. Singapore was a shrimp. People worried over their survival." [*Lee Kuan Yew*, 2000: 20, 133].

Presupposedly, not only the Singaporean but also South Korean, Taiwanese, or Malaysian rulers could put the same and similar

⁴⁹ About a set of jeopardies that menaced to the countries of E/SEA, particularly, to Indonesia, Malaysia, and Singapore, see, for example: [*Alagappa M.*, 1988: 50-78].

questions, and there was only one way to avoid doom to be eaten by big fishes – to cease to be ‘shrimp’. In other words, there was an insistent necessity to survive in the extremely unfavourable conditions that enforced and simultaneously encouraged the countries’ ruling and business elites to undertake somewhat that could neutralise a set of menaces, which might surrender the nations of the region. As Lee Kuan Yew said in dramatic manner in June 1966, “...if we (in Asia – V.K.) just sit down and believe people are going to buy time forever after for us, then we deserve to perish”. [Rostow W.W., 1986: 14; quoted on: Hersh J., 1993: 45].

The all-embracing vulnerability of E/SEA to a lot of jeopardies did not admit the responsible political leaders, businessmen, and intellectuals to hope for ‘manna from Heaven’ dreaming delightfully from having nothing to do. The best way to prevent possible tragic events, besides military-political alliances with ‘Big friends’, super-powers (what did not actually secure them from the internal instability and devastating involvement into the global plays), should be the real strengthening of the national states through accelerated development, or that was the same, the fast modernisation of the society and economy. The Korean dictator, and father of the Korean ‘miracle’ general Park Chung Hee spoke about it with the clarity of the military officer: “...to realize a ‘Miracle on the Han River’ is the only way to gain superiority over Communism”. [Park Chung Hee, 1962: Foreword-4].

Therefore, Manuel Castells perceived very well the essence of the motives for modernisation in the E/SEA when he noted that for the region’s peoples economic development was not a goal in itself but a means – a means to survive in unfavourable conditions. [Castells M., 1998: 271-272].

However, there was a problem of choice of one or another modernisation model that could be adequate to the task of survival

without cataclysms. Indeed, when the future 'tigers' were awakening after a long period of dormancy at the world periphery, being small pawns on the global chess-board, or shrimps among horrible fishes in the ocean of 'big policy', there was, as we mentioned above (chapter 3), the broad complement of various development models. Nevertheless, some undeniable achievements obtained due to the realisation of the known development models notwithstanding, still in the mid-60s (not speaking about the end of that decade and afterward), the negative aspects, such as low effectiveness and the arisen difficulties of these models began to be evident to an ever-extending degree. It became clear that neither the ISI strategy, nor the models of self-reliance of socialist as well as nationalist character could respond to the new challenges and all led to failure. Independent from the ideological and political arrangements of the concrete development policy, the E/SEA countries should have to seek a strategy that could overcome the attained limits of known, seemingly verified models. Such a strategy should take into account what the political situation in the region was, and had to be oriented towards a full integration into the international division of labour under protection of the superpower, namely, the USA, through the growth of industrial, manufactured exports. [Hersh J., 1993: 45-46].

Indeed, some Latin American countries, particularly, Brazil under the military-bureaucratic regime, Chile under dictatorship of Pinochet and Argentina under the military-fascist junta, attempted to re-orient their economies from inward- to outward-looking development. However, as we saw above, these attempts were, in the best case, 'semi-successful', because they did not change the essential elements of the old model based on ISI (the case of Brazil) but only improved some parts of the social-economic mechanism that should be radically renovated in the process of modernisation. In addition, on reason of the elitist character of these attempts and

the underestimation of human resources development, they did not eradicate mass poverty of the population; and hence, they did not abolish one of the main obstacles to effective development, the poor quality of human resources. On the contrary, the strategy of export-led industrialisation had been realised in the E/SEA much more effectively and successfully.

Meanwhile, the outcomes of this strategy in the region could hardly become so effective and fascinating without support from the West, mainly, the US, the leading western player in the region, when the East of Suez policy of Great Britain, formerly the colonial power in the western Pacific and the Indian Ocean areas, was declining.⁵⁰

Certainly, the United States were interested in stabilising the regional situation, too, for their proper advantage and correspondingly for their global strategy. At first, they aimed to save the region from 'the communist threat'. The main purpose of the US establishment was to preserve the E/SEA from the Soviet and Chinese influence that could potentially spread to other areas of the Third World. From the point of view of Uncle Sam, it was too much to have the headache from Cuba, the rise of a pre-revolutionary situation on the Latin American continent and the quasi-socialist experiments designated to constrain western interests and activity in some African and Middle East countries, supported by the USSR, for not admitting 'a communist offensive' in Asia.

Secondly, however, the US administrations of Kennedy and Johnson understood that the main condition of the Soviet and/or Chinese, pro-Maoist successful influence in E/SEA was a set of real social-economic problems. Lyndon Johnson, being the Vice-President, wrote in his report to Kennedy (May 1961): "In large measure, the greatest danger Southeast Asia offers to nations like

⁵⁰ As one American scholar noted, "[Indeed], the key to North-South matters lies on the banks of the Potomac if it lies anywhere." [Olson R.K., 1981: *xvi*].

the United States is not the momentary threat of Communism itself, rather the danger [that] stems from hunger, ignorance, poverty and disease. We must – whatever strategies we evolve – keep these enemies the point of our attack, and make imaginative use of our scientific and technological capability in such enterprises.” [Rostow W.W., 1986: 199]. Hence, the US were inclined to support any policy that could help to create a vitrine of ‘good’, but neither peripheral, nor backward, nor truncated, capitalism in developing countries, sufficiently attractive for elites either and ordinary people in the Third World. [Cumings B., 1987: 59-66, 76-79; Hersh J., 1993: 44-50; Hersh J., 1998: 23-39, esp.: 26-30, 33-36]. In addition, the US worried over Japan, too, their main ally in the Pacific, being interested in the growth of this country. Japan was a pattern of successful capitalist development outside the West, which needed raw materials and markets in Southeast Asia. (Otherwise, Japan might reorient the export flows of her goods toward China, her traditional market, an option, which looked inadmissible for America.) [LaFeber W., 1991: 232].

Thirdly, the US and the West as a whole had as an objective to resolve some internal social-economic problems they faced in the 1960s-70s. These internal problems, *prima facie*, the first signs of a crisis and decline of the fordist-keynesian growth engine, forced searching for appropriate solutions by involving a group of peripheral countries into the world capitalist economy, not as suppliers of raw materials, but as producers of manufactured goods the world leaders could not produce more effectively. [Harris N., 1986: 101-117]. By the way, the notable acceleration of the ‘tigers’ economic growth in the 1970s non-occasionally coincided with the structural crisis and recession in the western economies.

In this situation, the western countries and, in particular, the US opened, although selectively, their internal markets for several

important goods exported from East Asia. [Hersh J., 1993: 48]. It was a much more effective contribution to East Asian development than all financial and economic aid of the industrial nations to developing ones. (Certainly, as Robert Wade noted, in the 1960s, access to western markets was easier than in the 1980s and, furthermore, in the 1990s. When the NICs of East Asia, the first-tier 'tigers', Hong Kong, Singapore, South Korea, and Taiwan, approached to their fast export-led industrialisation, it was the time of an expansionary phase in the world trade. [Wade R., 1990: 346-350]. However, this circumstance does not lessen the significance of of the social-economic feat, accomplished by the 'glorious four', nor American support for them.)

Actually, the US agreed to initiate the realisation of a particular kind of global social-economic reformism policy, although applied to one concrete region, E/SEA, intending to strengthen the proper positions in the Third World. At the same time, the East Asian policy of the US should have to demonstrate the vitality of capitalism, its ability to resolve serious social-economic problems in a better, more effective manner than 'real existing socialism' could do it. Besides the political support and military assistance the US provided for 'the friendly states', the 'fortresses of liberty' in the region (though some of these regimes had as little in common with democracy as the regime of A. Somoza in Nicaragua or other odious ones in developing countries), Uncle Sam did not hinder the economic policies of his local allies. (By the way, sometimes, these policies diverged from the widely recognised principles of mainstream and development economics, and did not correspond to the recommendations by American, IMF, or World Bank experts, which they proposed to their East Asian clients.)

Thus, the role of the US in assistance to the small and initially poorly industrialised countries of E/SEA to reach the heights of

industrial development can be understood only taking into account the whole complement of factors, from regional peculiarities of the Cold War contest to the ability of the local economies to be integrated into the global financial-technological networks of the leading western corporations. [Li Xing, Hersh J., Schmidt J.D., 2002: 35-41]. In particular, if neither the Soviet Union, nor Maoist China, nor their allies in the region, such as North Korea, North Vietnam and the various communist/leftist groups as well, would exist, it should be necessary to think up them for the sake of the wonderful transformation of small 'kittens' into 'tigers', this social-economic experiment of genuinely historic importance. Hence, South Korea, Taiwan, Singapore or Malaysia should glorify the Cold War and declaim 'hallelujah' (alleluia) appealing to their former political enemies, now good partners. (Perhaps, it is a historical paradox that the Cold War confrontation in the region turned into partnership and tight collaboration between two groups of former rivalries, although, of course, not without problems and some tensions. China, Vietnam and Laos, being adherent ideologically to Marxism-Leninism, chose a variant of Lenin's NEP following the way of market reforms under the Communist party leadership and state guidance. In reality, they preferred almost the same model of accelerated industrial development, which demonstrated its efficiency thirty or forty years back in the first-tier NICs. May be, this fact is the specifically Asian argument for the verity of the old conception of convergence between capitalism and socialism.⁵¹)

Meanwhile, one inevitable question arises when we consider the world context and history of the East Asian 'miracle'. Recognising the indispensable role of the U.S. in the development of the 'tigers', it is relevant to ask: 'Why East and Southeast Asia, but not Latin

⁵¹ The first thinker, who originally proposed this conception, was Pitirim Sorokin. See: [Sorokin P., 1964: 78-130, esp.: 78-80, 86-89].

America, had become winner and favourite of the Third World fast industrialisation, despite previously Latin America attracted much more attention from Uncle Sam?' In addition, the undeniable fact that the Latin American continent had been and continued to be a special zone of the U.S. interests on many obvious reasons, attributes a peculiar actuality to this question. Indeed, the experiments with authoritarian modernisation began in Latin America under supervision of the White House and the State Department almost at the same time (Brazil, 1964) as in East Asia. Nevertheless, they were not as successful as in the latter case.

Actually, there was a situation when the industrialising countries of Latin America, particularly, such as Brazil, Argentina, Chile in the course of authoritarian modernisation, and Mexico as well competed with the young Asian 'tigers' for access to the western markets and for attraction of foreign investments. In relation to both industrialising regions, the West created a situation of monopsony when one buyer deals with many sellers. Obviously, in such a situation, the buyer could dictate to the sellers what level of prices was appropriate, corresponding to its interests, and choose sellers that were able to supply commodities of better quality. Due to the acute competition among the developing industrialising countries, the First World had the opportunity to broaden the field for manoeuvres and to select its 'more favourable' partners. As a result of this selection, still in the 1970s, the 'tigers' began to displace the Latin American industrialising countries from the western markets because of their comparative advantages. In particular, whereas the labour costs in manufacturing industries of the first-tier Asian NICs did not principally differ from those in industrialising countries of Latin America,⁵² the growing 'tigers' overtook Latin America by other

⁵² This conclusion is based upon a comparison of the wages in manufacturing industries of Korea and Mexico over the second half of the 1970s – the mid-1980s.

parameters, mostly by such ones as the good quality of offered commodities, which, furthermore, became technologically complex to an increasing degree. Labour force qualities were too significant, and of no lesser importance than the level of wages for structural shifts in the international division of labour to the E/SEA advantage. For instance, one Malaysian advertising brochure that promised an investment paradise explained why Malaysia, as the second-tier 'tiger', could be very attractive for capitals, in the following manner: "Oriental women are famous throughout the world for their dexterity. With their small hands, they work fast and pay great attention to detail. Who could be better qualified by nature and tradition to raise the efficiency of an assembly line? ... Wage rates in Malaysia are among the lowest in the region, and women-workers can be employed for about US\$ 1.50 a day." (Quoted on: [Lipietz A., 1982: 34].

At last, while various, imitative and autochthonous as well, models and strategies of Third World development failed one for one, E/SEA appeared to be the only non-western region, which looked as 'the last fortress of development' outside the West. This circumstance allows presupposing that the problem of the region's modernisation does not consist in the US peculiar strategic interests to help their junior Asian allies to build 'good capitalism'. What is the matter is also a complex of *internal* causes and factors that pre-determined, to a big degree, the pace, direction, and image of East Asian development.

In both countries, the wages expressed in US dollars at the current exchange ratio were within terms of 1.0-1.3 dollar per hour. (Estimated on: [ILO, 1986: 699, 701] and the IMF data of the exchange ratios for respective years).

8. Conservative Modernisation and the Developmental State in Asia: Confucius and Lenin *versus* Weber

Tigers, as all cats, are very intelligent and agile animals. The economic 'tigers', the NICs of East/Southeast Asia, look no lesser nimble than their alive 'co-brothers' with four paws and stripped fur. They were able to catch a historical fortune for tail, and did it thanks to their qualities, shape and structure. This fact obliges to remind what Mahathir bin Mohamad wrote about the nature of the so-called East Asian 'miracle'. "Personally, I never liked the term 'East Asian Miracle', because it seemed to imply that our accomplishments were achieved through some form of magic rather than through the hard work, blood, tears and genius of our peoples." [Mahathir Mohamad, 1999a: 27].

The first and, might be, the most important internal factor of the NICs' accomplishments was the existence of social actors of accelerated development – the stratum of people, who comprehended their responsibility for destiny of countries where they lived and intended to change the life of the people for better. In other words, there were social groups, which made up a nationally oriented and worldly thinking *functional elite*, using the mentioned above term by Helio Jaguaribe.

How did this elite emerge? The answer to this question presupposes observing the cultural traditions of East Asian peoples as well as the mutual coherence of these traditions and the western culture of modernity.

The fascinating growth of East Asian economies in the course of three decades encouraged many researchers and students of this

'miracle' to reconsider Max Weber's approach to the assessment of the prospects of capitalism in Asia (see above, chapter 1). By the way, in the first half of the XX Century some Chinese politicians and intellectuals, too, shared this approach although, perhaps, most of them never read Weber's works. For example, during the long period of turmoil in China after the 1911 revolution, many participants and leaders of the revolutionary parties and movements, including the May Fourth Movement of 1919, evaluated the Confucian heritage in Chinese society as one of the obstacles to the country's development. In their opinion, adherence of the ruling elite to the principles and the moral doctrine of Confucianism should be treated as an important cause of the Chinese backwardness. [*Jomo K.S.*, 2001d: 475-476, 502 (note 4)]. At last, the defeat of the Kuomintang, the party that attempted to foster capitalist modernisation, and, subsequently, the victory of the Chinese communists in 1949 (as well as the 'Big Leap' or the 'Cultural Revolution' in the 1950s-1960s) seemingly affirmed the verity of Weber's conception and proved the incompatibility of capitalism with Chinese traditions.

Suddenly, in the last third of the XX Century, something had occurred, and reality began apparently to disaffirm the Weberian ideas demonstrating that Buddhism, Confucianism, or Taoism (and later, at the post-industrial stage, Hinduism) are completely compatible with rapid capitalist development. In particular, Syed Hussein Alatas, who considered the business achievements of the ethnic Chinese in Malaysia still in the late-1960s, expressed serious doubts about the relevance of the Weberian idea on the incompatibility of the Chinese world-view and religious traditions with capitalist development. [*Alatas S.H.*, 1970: 270-277; *Alatas S.H.*, 1972: 25-48]. All attempts to reconcile the East Asian phenomenon with sociological conceptions based on the theoretical

heritage of M. Weber, T. Parsons or N. Smelser clarified nothing, whereas these attempts neglected, as a rule, a simple supposition: if the theory ceased to explain reality, might be, a matter of the problem was not the theory itself but something else that had happened to reality, which could not be reflected by the theory.

Some authors, appealing to the theoretical heritage of Weber and his successors in sociology explained the suddenly arisen 'compatibility' of East Asian societies with capitalism referring to the existence of the influential 'counter-cultural' currents in East Asia, such as Buddhism and Taoism, which have been performed in the role of alternatives in relation to Confucianism.⁵³ Accordingly to these conceptual approaches, both Taoism and Buddhism as 'currents of democratic culture' should be opposed to Confucianism, the moral-political doctrine of rulers and top officials calling for overwhelming rigidity, with its cult of the strong state headed by moral, and the enlightened ruler surrounded by wise and responsible officials. Seemingly, Buddhism and Taoism countervailed the stringency and requirements of obedience to the elders and officials that Confucianism imposed on the people's everyday life, and justified various expressions of personal initiative or even disobedience to the authorities. Presupposedly, these 'counter-cultural currents' made up the common cultural ground for the rapid rise of small and medium businesses in Taiwan and then in other NICs where the ordinary entrepreneurs were mostly adherent not to 'the Confucian principles' of loyalty to rulers but to the everyday interpretations of Taoism and/or Buddhism, which challenged the moralism and hierarchism proclaimed by the Confucian doctrine. Respectively, in contrast to the Confucian principles that were symbolising the state bureaucracy and the hierarchical structures of

authority, Buddhism and Taoism inspired the people for private initiative. The former, as it has been asserted, created the legal, institutional environment for business and steered it, whereas the latter justified economic liberty for all people, who were capable to entrepreneurship. [*Lam D., Clark C., 1998: 126-130*].

In addition, Buddhism has been opposed to Confucianism as not only the 'counter-cultural' foundation for private entrepreneurship contesting 'bureaucratic stringency', but also as a specific moral justification for the improvement of the world of material goods, which surround the human species. Since, for example, Mahayana Buddhism locates salvation in *this* world, an improvement of material goods and a human engagement into activity as well have been performed as a right way to such a salvation. [*Berger P., 1988: 7-8*]. In this respect, Buddhist doctrine looks very close to the Protestant ethics, which treats labour as human's destiny divinely predetermined.⁵⁴

Nevertheless, the explanation of the cultural, spiritual roots of the East Asian boom described just now seems to be very persuasive only at first sight. Actually, it does not convince arguing the significance of Confucianism, Buddhism, or Taoism for the fast rise of industrial capitalism in the region because such explanation neither resolves nor clarifies the main problem. Namely, we can ask ourselves: if both Buddhism and Taoism accomplished a function of 'counter-culture' in respect to Confucianism, why they could not play the same role at the end of the XIX – and in the first half of the XX Century? Why, further, Max Weber did not oppose them to the Confucian principles, although he marked the more rational

⁵³ “It is not easy to reconcile an entrepreneurial spirit and Confucianism” –, Joseph Tamney, a scholar, who studied the social-cultural aspects of East Asian modernisation, noted in his book. [*Tamney J., 1996: 38*].

character of the latter, but considered the called oriental 'counter-cultural' religions and the Confucian doctrine altogether, as contradicting the principles of rational entrepreneurship and 'the spirit of capitalism'. Moreover, if a doctrine or a religious tradition previously did not correspond to 'the capitalist spirit' but later appeared as according to the latter, it would be possible to presuppose that some considerable changes had occurred to the capitalist system. Indeed, while the multi-secular social-cultural traditions and religious beliefs could hardly evolve so radically in the course of half a Century, whatever so alternated capitalism that these traditions and religions might turn from factors impeding capitalist development into those, now facilitating the growth of capitalism? In other words, it should have to mean that capitalism was essentially modified, and now, on the contrary, it became compatible with either 'the Confucian system' or its 'counter-culture', whether it was Taoism or Buddhism.

The capitalist development of the East Asian NICs, according to the task of catching up industrialisation, corresponded to 'the spirit of capitalism' of the XX Century but not to that of the XIX Century. Moreover, it is necessary to underline: it corresponded to this 'spirit' to much higher degree than the capitalist development in Latin America, where many relics of the old capitalist models grounded on the private ownership capitalism, which had been conserved as untouchable museums' rarities. At first, still according to Max Weber, "Confucianism", like Puritanism, is rational, but that there exists a fundamental difference between the two in that whereas Puritan rationalism has sought to exercise rational control over the world, Confucian rationalism is an attempt to accommodate oneself to the world in a rational manner." [Morishima M., 1982: 1-2]. However, if

⁵⁴ Erick Jones wrote in this connection: "The values of East Asia during its years of rapid growth were not significantly different from the 'Protestant Ethic' of the West

Confucianism justified adjustment to the world in a rational manner, and to the world that has permanently been changing, it meant that Confucianism called for 'rational adaptation' to changes, namely, in the given context – to capitalist development. (Likely, this specific rationalism of Confucian doctrine has been reflected in the widely known aphorism of Deng Xiaoping, the father of Chinese reforms since 1979: "No matter whether the cat is white or black, as long as it catches mice, it is a good cat.")

Since catching up development and managerial capitalism as a whole – capitalism of the XX Century, on the one hand, treated market freedom not as an end of development in itself but, rather, as one of the tools for achieving the development goals [Wolferen K. van, 1989: 7], - this capitalism ('capitalism without capitalists' [Bouissou J.-M. e. a., 2003: 13-14], as in the case of the Soviet Union!) presupposed the leading role of the state and, respectively, the state officials. On the other hand, Confucianism, being a secularised 'religion' and moral doctrine of Chinese officialdom as well as the conceptual justification of 'managerial attitudes', appeared to be corresponding to capitalist development under the guidance of the state. Thus, Confucianism became compatible, in other words, not only with 'the spirit of rational entrepreneurship' but also, mainly, with the character of *functional, managerial* capitalism. [Brook T., Luong H.V., 2000: 9]. Confucianism justified the existence of a vertical hierarchy and required a hard, stringent order. In its turn, XX Century functional capitalism could not exist without a managerial hierarchy and efficient discipline at all levels of management and regulation. Therefore, in the process of East Asian modernisation, ideas and attitudes of Confucius and Lenin together confronted, in paradoxical manner, with the conception of Weber that was rooted in the 'classical' private property capitalism.

during its industrialization." [Jones E., 2002: 143].

According to the Confucian doctrine, the main, 'central' virtue that has to be positioned as the heart of humanity is 'benevolence'. [Morishima M., 1982: 3-6]. It means the legitimate authority, personified by wise, responsible leaders, who is charged by thoughts about well-being of the people, his subjects.⁵⁵ As Confucius taught, the ruler ought to "keep from oppressing the helpless, and not to neglect the strained and poor." [Confucius, 1966: 46-47]. He must care for human capacities and talents attracting them to himself: "If ordinary men and women do not find the opportunity to give full development to their ability, the people's lord will be without the proper aids to complete his merit." [Confucius, 1966: 103].

Respectively, people have to be loyal to authorities following the principle of harmony, whether in the natural environment or social life.⁵⁶ Furthermore, an individual must demonstrate his/her loyalty to the community, whether it is a firm where he/she works or a nation to, which he/she belongs. [Morishima M., 1982: 117]. Such 'an assignment' to demonstrate personal loyalty has been treated as a doctrinal justification of 'the industrial peace' and stability in the rapidly growing manufacturing industries. [Hofheintz R., jr., Calder K.E., 1982: 110-113]. Evidently, a requirement of loyalty is incompatible with overt political criticism, public debates or any oppositional activity, which all have been evaluated as subverting the social order and, hence, cannot be allowed. At the same time, a nation as a whole has been considered as a single big family with an internal division of labour and duties between parents and children, senior and junior sons and daughters. [Lawson S., 1998: 121].

⁵⁵ "Let the officers whom you employ be men of virtue and ability, and let the ministers about you be the right men. The minister, in relation to (his sovereign) above him, has to promote his virtue, and, in relation to the (people) beneath him, has to seek their good." [Confucius, 1966: 102].

⁵⁶ It is interesting to mark that the Korean dictator, president (1961-1979) Park Chung Hee spoke about "harmony as a way of life", in particular, about "a harmonious life

Respectively, Confucianism treated the ruler as a father, head of big family, to whom people should have to obey. ("The Sun of Heaven is the parent of the people, and so becomes the sovereign of all under the sky" –, Confucius taught. [*Confucius*, 1966: 144].) In the same manner, the Confucian tradition evaluated a firm, or business enterprise, where proprietors and managers are responsible for the well-being of their 'children', hired personnel, while workers ought to regard their job and firm's business like senior and junior children, assess their duties within big family. [*Wong Siu-lun*, 1988: 134-152, esp.: 142-148].

It is interesting that Goh Chok Tong, the Prime Minister of Singapore in 1990-2004, often addressed the citizens as 'sons and daughters': "Singapore can only do well if her good sons and daughters are prepared to dedicate themselves to help others. I shall rally them to serve the country. For if they do not come forward, what future will we have?" (Quoted on: [*Chew Ghim-Lian P.*, 2004: 6].)

Moreover, as Confucianism asserts, the state and authorities ought to function successfully for the well-being of all family members, if people in power suggest to rule correspondingly to the moral principles, which make up the genuine background for the government's activity. It means that any government has not only the right to interfere into the people's private life and to control them, but also has the obligation to do something what can aid the people to improve the conditions of their life. Such a paternalistic attitude of 'the common good pursuit' has been combined with a principle of meritocracy, which presupposes the manifestation of virtues of those people, who are in power. The latter can be personified by the educated *man* whose moral and intellectual

with a collective entity", frankly referring to Confucianism. [*Park Chung Hee*, 1979: 24-29].

superiority allows him to accomplish the role of the political and moral leader, as well as to represent and express the interests of 'family members'. As the 1991 'White Paper on Shared Values' (published by the government of Singapore) stated, the government should be headed by "*honourable men...*, who have a duty to do right for the people, and, who have the trust and respect of the population". (Quoted on: [Chew Ghim-Lian P., 2004: 6].)

The role of leaders cannot be trusted to casual persons that may use demagoguery and false promises for the sake of their own egoistic, personal advantages; such people can subvert, thereby, 'the harmony within the family', the pivotal principle of internal life of society. Hence, any criticism has to be assessed as an expression of disloyalty that threatens social stability and succeeds in disorder (see: [Lawson S., 1998: 122; Pye L.W., 1988: 86-87]). At the same time, it is impossible to argue that the Confucian tradition excludes any criticism with regard to authorities at all. It admits a criticism, but only from the point of view of moral principles. If rulers violate those principles and cease to accomplish their duties, they should be criticised for their mistakes and misbehaviour. If they will insist on the continuation of their immoral conduct, ignoring any critique, people have the right to dismiss them from their leading positions.

It is evident that social troubles and criticism in respect to legal authorities supposedly mean the rise of an opposition with alternative views on disputed issues. However, really, this opposition should not exceed the boundaries of the Confucian principles, and it is difficult to presuppose what can be the degree or the extension of the criticism based, for example, upon Buddhist traditions. Meanwhile, it is a question whether Buddhism was able to accomplish the function of a real 'counter-culture' or it was rather an important element, complementing the role of Confucianism in the process of East Asian modernisation.

Presumably, like the former Soviet system exploited 'spiritual' factors of production, such as the belief of ordinary people in 'the bright future' and their self-sacrificing, creative enthusiasm, so the process of East Asian industrial development was successful, to a big degree, due to particular labour ethics and people's obedience to discipline. This specific mobilisation of human resources and their spiritual, intellectual capacities could hardly be efficient without ordinary people's internal moral motives, which were rooted, at least, partly, in the traditions of Buddhism and Taoism, too.⁵⁷ Hence, in relation to the Confucian doctrine, Buddhism in all its currents has to be conceived rather as a 'partner' than as a contesting, 'counter-cultural' element.

Indeed, the endeavour to harmony inherent in the Buddhist doctrine, as well as its attitude orienting an individual towards uninterrupted moral and intellectual self-perfection, instigated to search ways to resolve inevitable conflicts. In addition, it sanctified the moderation of consumption,⁵⁸ and, thereby, the propensity to save, which was particularly important in a situation when the mobilisation of resources for accelerated development had been indispensable, whereas the real yields and remuneration for efforts and 'perspiration' could be seen only over long time. Buddhism justified moderating personal consumption and, as well as Confucianism, accustomed everyone to be obedient and respectful to senior members of the community. Besides, Buddhism and Taoism as well as Confucianism comprised the seeds of the achieving attitude to labour, and, too, called for collective solidarity, a specific type of interpersonal relationships' ethics, which familiarised to the

⁵⁷ As 'The Dhammapada', one of the Buddhist sacred books, proclaimed, "do not be idle!" [*The Dhammapada*, 1965: 47].

⁵⁸ "He, who lives for pleasures only, his senses uncontrolled, immoderate in his food, idle, and weak, Māra (the tempter) will certainly overthrow him, as the wind throws down a weak tree." [*The Dhammapada*, 1965: 5].

maintenance of order and discipline. [*Berger P.*, 1988: 5 et ff.; *Hsiao H.-H. M.*, 1988: 19].

However, it is clear that East Asian modernisation could not be successful if it would be based, in the social-cultural respect, merely upon traditions of the past. It should have to borrow from these traditions, at first, elements, aspects, ideas, and attitudes towards life, which *justified* the necessary changes and reforms. For example, the principle of stability and gradualness, a common one for Buddhism, Taoism, and Confucianism, did not mean a call for conservation of the obsolete order and rules. On the contrary, it presupposed a realisation of reforms if those helped maintaining stability in the new, changed conditions. Secondly, East Asian modernisation could hardly be effective if it would not implement some values and attitudes inherent to western culture of modernity. By the way, political leaders of East/Southeast Asian countries, initiating a series of modernising reforms, understood very well, better than many developmentalists in Latin America or the Soviet technocrats, how a transformation of 'human matter', including people's habits, is significant for the process of modernisation. It is worth to note, for example that still at the start of East Asian take-off, in the early-1960s, Goh Keng Swee, one of the fathers of Singapore modernisation, criticised mainstream economics for the underestimation of 'the human dimension' of economic development (or, rather, for a one-dimensional, exclusively economic, approach to the real people's behaviour and desires in the developing, non-western countries). [*Goh Keng Swee*, 1995b: 46-49]. The Korean dictator-moderniser, Park Chung Hee, drew attention to such non-economic, psychological hindrance to the initiation of modernisation

as a non-belief of the people in the prospect to eradicate poverty.⁵⁹ Some years later, after the tragic Chinese-Malayan contests in 1969, another, then only potential, creator of an East Asian 'miracle', Mahathir bin Mohamad, underlined how serious are people's traditions and customs for the economic development and why Malays should change themselves if they would like to survive at their native land. [*Mahathir bin Mohamad*, 1977: 155-157, 59-61]. At last, on the eve of the new millennium, when the Asian NICs occupied dignified positions in the world economy, many losses after the 1997-1998 financial crisis notwithstanding, Mahathir wrote, summing up a practical experience of the complicate, non-linear processes of social-economic transformations in his country and the region as a whole: "The most important, and most difficult, challenges have been in the realm of culture. Even with new economic policies and new opportunities, these would not have come to life without the cultivation of certain new values. ... Modernisation of the mind has been a prerequisite to the modernisation of the economy. ... The primary reason lies in the value system each group has developed. In other words, a culture compatible with success will succeed, while one that is not will fail. This may be easily said, the real problem lies in the implementation of new values in a way that does not estrange or antagonise people." [*Mahathir Mohamad*, 1999a: 36-37].

Actually, it is possible to suggest, paying attention to the undeniable success of E/SEA modernisation that it has been a good example of the successful implementation of new attitudes and values in societies with profoundly rooted traditions and habits of the past. May be, it has been much more successful than a similar reciprocal diffusion of modernity into traditions and old structures of

⁵⁹ "Because our people have been exhausted by poverty, there is among us a tenacious habit of thinking that this condition cannot be changed." [*Park Chung Hee*, 1962:

the society in Latin America and the former Soviet Union. However, E/SEA gives us a genuine pattern of *conservative modernisation*, perhaps, in some respects more conservative, than in two other mentioned cases.

It is worth, in this connection, to draw attention to one interesting fact that directly concerns the issue of conservative modernisation, particularly, E/SEA development. Namely, the achievement of 'new frontiers' in the course of accelerated development does not always succeed in the automatic erosion of conservative elements in the ideology and politics of the developmental state. On the contrary, the achievement of highly performing rates of economic growth as well as progressive shifts in the social-economic structure can be accompanied by a visible strengthening of conservatism and authoritarian tendencies in the social-political sphere. For example, Korean president Park Chung Hee demonstrated an obvious bias to conservatism tending 'to freeze' and even to suffocate all opposition in the country when such hard measures were seemingly unnecessary. When it was clear that Korean 'kitten' began to become a 'small tiger', in the situation of remarkable economic growth and increase of the living standard, the dictator appealed to "the historical legacy and tradition", which were put in fundamentals of a "genuinely democratic political system" [*Park Chung Hee*, 1979: 38 et ff.], established in 1972 (the so-called 'Yushin principles'). In truth, this system was very far from the principles of liberal democracy of the western, modern style. The Constitution of the country was radically revised, in particular, a direct election of the president was changed for a complicate, indirect voting by obedient deputies for a candidature proposed from above, and Korea had further moved towards frank authoritarianism, even without superficially democratic procedures and other

attributes of a liberal system. At the same time, Park Chung Hee began more often than originally to speak about traditions of solidarity, adherence to the community's way of life, the spirit of mutual aid, and other similar things.

Meanwhile, this apparent paradox, a visible divergence between economic accomplishments and the inclination to political-ideological conservatism with clearly expressed elements of traditionalist demagogy, had the real foundations in the process of successful development itself. What was the matter in the given case was the very fast shift in the social structure of society because of the positive changes in economy. The growth of manufacturing industry that demanded an ever-extending inflow of new labour force from countryside, as well as the raise of productivity in agriculture conditioned the increase of the new urban population that was deprived of its rural social-cultural roots but did not yet become genuinely urban inhabitants. These people, new migrants, often without appropriate housing, 'positive marginals', were accustoming with difficulty to the new conditions, the pace of work, the way of life, etc., and could potentially be biased to anti-social behaviour, particularly, in the situation of a democratic opposition's revival. [*Jacobs N.*, 1985: 151-154]. In addition, the government felt the dangerous growth of the stratum of unsatisfied but well educated youngsters, very active and intolerant of social inequity, who were able to jeopardise the stability of the regime. [*Amsden A.H.*, 1989: 221]. (This phenomenon, in principle, well known from the history of such countries as Germany or tsarist Russia, was 'a reverse side' of the positive outcomes of modernisation, too.)

Thus, a visible drift to authoritarian methods of rule in Korea in the 1970s had not only such external foundations as the evident rise of political adventurism and unpredictability of the Maoist leadership in China, which multiplied the confrontation between North and

South in the Korean peninsula. In addition, there were objective internal reasons 'to tighten belts' through police repressions and the emphasis on hard-line policy, economic growth and the rise of well-being notwithstanding. The fast development of the economy needed a social-political stabilisation and the latter, in its turn, required respective ideological arrangements in a form comprehensible to the vast majority of ordinary people, whose consciousness and habits remained to be rather traditional than modern. In this respect, Korea under the rule of Park Chung Hee was not a unique exception from the general trend that was then observed in the region.

Certainly, 'the degree of conservatism' in each concrete case depended on various factors, such as the size of the country, social structure, cultural traditions, level of urbanisation, and so on. Sometimes, in the process of development, the old essence of the social relationships has been ideologically performed in westernised forms, which not only camouflaged the traditional character of societies but also attributed a new dimension to the obsolete social-economic structures. For example, the Chinese and Vietnamese leaders demonstrate no intention to refuse Marxism-Leninism as the official ideology of their regimes. Inherited from war times, as an ideological cover of the peasantry's movements contesting capitalism (and colonialism, as in Vietnam or Laos) – the case of 'the traditionalist revolt against progress', – this ideology is not thrown from its pedestal but continues to function as 'a lodestar' for the countries' modernisation. In reality, the dominance of Marxism-Leninism in quality of the official, pivotal doctrine is the peculiar way to implement a western ideology of development in the societies with strong egalitarian attitudes and aspirations. In other words, Marxism-Leninism for the called countries (China, Vietnam, and, may be, also Laos), as for the Soviet Union in the past, has recently been the 'ideological bridge', linking their traditions and semi-traditional

societies to a western culture of modernity with its focus on values of industrial techniques, economic growth, rational knowledge, and so on. Moreover, as we see, the rejection of Marxism-Leninism by the Soviet and post-Soviet nomenklatura did not succeed in a triumph of the free market and liberal democracy principles in post-Soviet Russia and other CIS countries. On the contrary, it has been accompanied by the rise of traditionalism, that is very far from a western, rational consciousness. Samuel Huntington grasped this problem very well, and I cannot omit a chance to quote what he wrote in his famous book 'The Clash of Civilizations': "By adopting Western ideology and using it to challenge the West, Russians in a sense became closer to and more intimately involved with the West than at any previous time in their history. Although the ideologies of liberal democracy and communism differed greatly, both parties were, in a sense, speaking the same language. The collapse of communism and of the Soviet Union ended this political-ideological interaction between the West and Russia. ... In addition, as the Russians stopped behaving like Marxists and began behaving like Russians, the gap between Russia and the West broadened. The conflict between liberal democracy and Marxism-Leninism was between ideologies, which, despite their major differences, were both modern and secular and ostensibly shared ultimate goals of freedom, equality, and material well-being. A Western democrat could carry on an intellectual debate with a Soviet Marxist. It would be impossible for him to do that with a Russian Orthodox nationalist." [Huntington S., 1997: 142].

These words sound as a warning to those people, who criticise the Chinese and Vietnamese leaders for 'ideological orthodoxy' and adherence to 'dogmas'. Meanwhile, in the light of the Russian experience, it seems necessary to declaim: "Long live Marxism-Leninism – the ideology of modernisation and progress for East Asian

nations!" Actually, Marxism-Leninism, particularly, in its modified forms, as a current of globalisation's ideology, facilitates China and Vietnam to become active participants of the globalisation process, in contrast to Russia, which, due to the destructive efforts of the ruling lumpen-elite, slips into a state of a 'passive pawn', although of big size, on the global chess-board.

The other example of effective reconciliation of traditions and modernity could be seen in Singapore, where the government led by the PAP (People's Action Party) decided to open the Institute of East Asian Philosophies (IEAP) in pursuit "to advance the understanding of Confucian philosophy so that it can be reinterpreted and adapted to the needs of present society". [Lawson S., 1998: 127]. Later, this Institute was reorganised because it became clear that Confucianism as the complement of 'pivotal principles' could be implemented only in 'soft forms', selectively, being combined with several elements of other doctrines and social-philosophical currents, which were more adaptable and relevant for industrialisation. Actually, Confucianism was modified and adopted as the general doctrinal 'framework' for the modern practice of management and rule. [Tamney J.B., Chiang L. Hsueh-Ling, 2002, chapter 3]. Such a political-ideological synthesis (or, rather, an artificial symbiosis) of the local traditional cultures and some selected universal elements of modernity has been expressed in political rhetoric and programmes of the regional leaders and politicians. In particular, in 1986, Goh Chok Tong, then Deputy Prime Minister to Lee Kuan Yew, characterised the Singaporean political system as a British style of cabinet government, on which had been superimposed "a Confucian gentleman, a *junzi*", moral and benevolent, who cares for the people's well being. [Lawson S., 1998: 128].

Nevertheless, whereas the practice of the Singapore government, at least, in some essential respects, looks undoubtedly as one 'in

British style', mainly, due to the experience and culture inherited from colonial times, a synthesis of old values and new attitudes in other E/SEA NICs was not as successful as in Singapore. What is the matter is that the gradual implementation of new values and attitudes in the conditions of old customs and social relationships has really been turning into a reciprocal adaptation of the old and new sub-systems to each other. Such an adjustment of new attitudes, values, principles of governance, etc., on the one hand, and old relationships, on the other hand, to each other, undoubtedly, attributes stability to the social order. However, at the same time, it enables the old structures to survive, and they, in modified forms, impede further modernisation. The failure of many attempts, for example, to initiate modernisation in the Philippines can be explained as a direct consequence of the conservation, often consciously maintained, by the old local elites (oligarchy, etc.), of the archaic social-economic structures and relationships based upon *a personal dependency*, at the low, microeconomic level, instead of the development of horizontal, market relationships. A similar mimicry of the old relationships and order took place, too, in Indonesia, the country, which looked, from the point of view of modernisation, better than the Philippines. After the tragic events of 1965-1966, the top military officers, mostly linked to the old aristocracy, in alliance with 'the advanced', western-oriented technocrats established an authoritarian regime called New Order that existed in the country under the dictatorship of general Suharto till 1998, when it crashed after the financial storm. The genuine, deep cause of the New Order's decline was its properly vulnerable, contradictory character. As Richard Robison wrote, there was, in particular, "the fundamental contradiction... between modern political structures and traditional political culture. Because politics is conceived and structured in terms of personal relationships between

clients and patrons, the increasingly complex and powerful political structures clearly developed by the New Order are harnessed to the needs of individual officials, political factions, patron-client groups and cultural streams rather than to the integration of social and political forces and the pursuit of the common good. The power and resources of the state are appropriated by state officials to further their personal and political advantage and that of their family, clique or political power base. In essence, this is another variation of the conflict between tradition and modernity." [Robison R., 1985: 296].

Evidently, the described conflict, independently on its variations and concrete forms, required a peculiar approach to the problem of governance, so, correspondingly to the idea of the gradual implementation of western modernity values into traditional and semi-traditional societies, the concept of 'Asian-style democracy' arose in the course of East Asian modernisation. [Tamney J.B., 1996: 57-86]. Formally, this concept presupposed a diversity of forms of democracy when each form corresponded to definite traditions and customs. Therefore, in interpretation of the E/SEA political leaders, western political democracy based on the primacy of the individual in relation to the state, has been looking appropriate to the traditions of Europe and North America; it is not vicious in itself, but does not correspond to the conditions and cultural heritage of East Asia; hence, it is not applicable to the countries of the region. In reality, the particular symbiosis of oriental traditions and modernity in E/SEA has been a kind of neo-conservatism in the western sense but with 'Asian specificity'.⁶⁰

The Confucian idea concerning the particular role of the enlightened, responsible, moral leader, who governs maintaining desirable stability and harmony within entire society, was practically

⁶⁰ "Singapore's dominant ideology is basically a variant of Western conservatism." [Tamney J.B., 1996: 180].

realised in the authoritarian state. This state, with a dominance of the executive over the legislative power, constrained political freedoms, practising 'soft' or 'hard' repressions with regard to the opposition, issued laws, conceptually, sometimes, borrowed from the colonial times (as, for example, the Internal Security Act in Malaysia), which restricted public critique of authorities. The authoritarian character of the political regimes in East/Southeast Asian NICs had been culminated in the bloody terror in Indonesia after the 1965 coup d'état and in the massacre of the protesting students in Kwangju, South Korea, in 1980.⁶¹

The ruling circles and their scholars in East Asia treated their political systems as specific kind of democracy that consisted in the optimal distribution of functions and responsibilities in society, when top positions in the government should have to be occupied according to merits and moral qualities of people in power. [*Bell D.*, 1995; *Tawney J.B.*, 1991: 399-411].

Nonetheless, the appeal to the Confucian intellectual heritage could hardly be sufficient for the ideological justification and for establishment of authoritarian regimes in E/SEA, which were initiating a large-scale modernisation. What was much more significant for the rise of such regimes in the region concerned neither the cultural traditions nor the ideological arrangements, but the real social-political situation and those strategic tasks, these regimes intended to solve.

In contrast to the views Fernando Henrique Cardoso presented in his post-presidency paper [*Cardoso F.H.*, 2004: 7],⁶² the practical

⁶¹ The total number of the police repression's victims reached 2000 people, who were killed, not counting hundreds or thousands of those, who were injured. [*Harrison S. S.*, 1987: 155, note].

⁶² Cardoso explains the authoritarian tendencies in Latin America in the 1960s-1980s referring to the context of Cold War and asserts that an existence of the political authoritarianism is incompatible with real, successful development.

experience of the Asian NICs proves an intrinsic linkage between authoritarianism and successful development.

Whereas the Latin American military-bureaucratic authoritarian regimes of the 1960s-1980s appeared to be unable to finalise modernisation in the continent (see chapter 3), the regimes in E/SEA (except the regime of Marcos in the Philippines) demonstrated the real accomplishments of accelerated development, although they were far from a liberal democracy of the western type. The main enigma of their success was neither an adherence to the Confucian principles nor the American support, but the fact that they had turned into *the developmental states*, much more effective than, for instance, the military-bureaucratic state in Brazil in 1964-1985.

Chalmers Johnson was the first, who used the term 'the developmental state' among the scholars, who studied the development of East Asia. Previously, he applied it to the analysis of Japanese 'miracle' in the post-war era. [Johnson Ch., 1982: 10, 17, 51, 70 et ff]. Later, he and other researchers as well used this term considering the NICs' achievements. [Johnson Ch., 1987: 136-164]. (Almost simultaneously, Bruce Cumings introduced another but, in essence, similar term 'bureaucratic-authoritarian industrialising regimes' (BAIRs) [Cumings B., 1987: 69-75, esp.: 71] borrowed, probably, from G. O'Donnell, F.H. Cardoso, and D. Collier (see above, chapter 3).

For a better understanding of the social-political nature of the developmental state in Asia, it is worth to quote Manuel Castells: "A state is developmental, when it establishes as its 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." [Castells M., 1998: 270-271].

It can be said that the developmental state activity arisen previously in Japan and, later, spread to the NICs of E/SEA, including mainland China since 1979, has been the Asian kind of the XX Century functional, managerial capitalism performed with local specific characteristics.

This circumstance allows us to recognise the existence of essential similarities between the Soviet system and the authoritarian regimes in the Asian NICs, obvious ideological and political differences between them notwithstanding. Indeed, it was not purely an academic exercise, when some scholars compared the authoritarian regime in one or another newly industrialising country of the region with the Soviet system as well as it was not occasional that they found out many similarities between the two kinds of the states, the legitimacy of which was maintained on 'the societal projects'. In particular, some character features of the authoritarian regime in Taiwan were comparing to ones of the Soviet regime, and several similarities between both, including the resemblance of the organisational principles of the Kuomintang to those of the CPSU, were clarified in the course of such a comparison. [*Bruce Jacobs J.*, 1978: 240-243; *Wade R.*, 1988: 37; *Wade R.*, 1990: 235-236]).

Another example of similarities between the Soviet model and the East Asian developmental states could be seen in the course of Singaporean development. To quote one unnamed Singapore diplomat, who worked in Moscow, the former Soviet system resembled, though not completely, of course, the one, which facilitated his wonderful city-state to jump from the Third to First world. Indeed, in practical respect, the PAP, the dominant party in the city-state, followed some Leninist principles, including strong internal discipline. As Castells noted, with a real doze of sarcasm, describing the historic achievements of Singapore, "it is probably the

only true Leninist project that has survived, outlasting its original matrix." [Castells M., 1998: 286].

Nevertheless, some similarities between the Asian developmental state and the Soviet system notwithstanding, the activity of the formers, in contrast to one of the latter, was not aimed at destroying capitalism; rather, its purpose consisted in the improvement of society within the world capitalist system.

The developmental state did not oppose itself to the market. On the contrary, defining top priorities of economic development, it intervened in the market to guide, encompass and co-ordinate activity of the private sector. The developmental state, particularly, in the first-tier NICs, intended to avoid direct involvement into business of one or other entrepreneurs' groupings while it had been elevating over private business. "Keeping distance" from the private vested interests, the developmental state in the NICs, following the Japanese experience, created a system of 'bureau pluralism' when those interests were aggregated and then transmitted through various business associations, councils, and so on to the state apparatus. [Okazaki T., 2001: 323 et ff.]. The developmental state stimulated economically or compelled to, using administrative levers and political instruments, the allocation of resources, correspondingly to the opted goals. Certainly, it constrained the play of the market forces and regulated private interests, but did not oppress them completely. The competent bureaucrats, graduated, very often, from prestigious universities abroad or in the former metropolitan countries, ensured state interventionism and practice of market regulation, steering private initiative towards achieving stages of development one for one. Actually, a specific group of state bureaucracy emerged in the course of accelerated development in East/Southeast Asia, *the economic bureaucracy*. [Wade R., 1990: 195-227)]. However, this social-professional group was primarily not

the agent of bureaucratic capital, because it was not directly engaged into entrepreneurship activity.

It is necessary to specify that bureaucratic capital and, respectively, the bureaucratic bourgeoisie arose in the second-tier NICs, mostly, in Indonesia, although neither Malaysia nor Thailand could avoid this process, too. Later, nevertheless, some elements and features of bureaucratic capitalism began to emerge in the first-tier NICs, mainly, in South Korea, because of the intensive contacts of the economic bureaucracy with the leading groups of private business. These contacts were the supporting constructions of the entire developmental state's edifice. "The strength of the CDS (capitalist developmental state – V.K.) lies in its partnership between bureaucrats and industrialists..." –, Karel van Wolferen noted in his book about the enigma of Japanese development [*Wolferen K. van*, 1989: 6]. However, the maintenance of such constructions 'in good condition' succeeded inevitably in corruption, which became 'the structural element' of the whole economic system, as it was in Japan two or three decades earlier. [*Ibid.*: 127-138].

Through the economic bureaucracy, the developmental state defined both a long-term strategy and concrete, short- and medium-term priorities of the country's development. It selected branches of the national economy, which should get preferences in the form of subsidies, loans with low or without interest, trade tariffs, and so on, aiming at the susceptibility to pressure from private interests. In addition, it realised the infrastructural projects and programmes of labour force training as well as steered private business towards active engagement into R&D activities. It can be said that the economic bureaucracy personified the historic function of capital in the conditions of E/SEA. Over three decades, it looked much more efficient than its Soviet and Latin American 'analogues', but, as Confucius said, "There is no invariable model of virtue... There is no

invariable characteristic of what is good that is to be supremely regarded..." [Confucius, 1966: 102].

The activity of the developmental state's economic bureaucracy created premises for new problems to arise, and these problems required new approaches for their resolution.





9. Internal Mechanisms of the Last Miracle in the XX Century

Is it possible to distil an elixir of East Asian success, i.e. to define the main factor that predetermined the rise of Asian 'miracle' – the wonderful transformation of weak 'kittens' into 'tigers'?

Various authors named different directions and factors of the developmental state policy that, in their opinion, enabled the NICs to attain the heights of industrial development. In particular, they mention either export orientation of the national economies, or liberalisation of markets and free trade, or maintenance of the macroeconomic stability with effective exchange rate policy, or fiscal policy, or a favourable business environment, or monetary policy, or effective public sector management and industrial policy, or input-based growth as a result of the sky-height rate of savings and investments in GDP, or, at last, the operation of the mentioned above social-cultural factors. [Adams F.G., 1998: 3; Yusuf Sh., 2001: 5-10].

In addition, we can explain the fascinating industrial take-off of East Asian countries referring to the well-known theory of the product life cycle that represented by itself one of the first serious attempts to study the logic of foreign direct investments and behaviour of TNCs. [Vernon R., 1966: 190-207].

At the same time, such a prominent scholar as Amartya Sen, explaining the East Asian miracle, pays peculiar attention to a *new* development factor, namely, to an emphasis of the region's countries on basic education that played an important role in the Japanese and then Korean, Taiwanese, Singaporean and other 'miracles'. Recognising the significance of other factors (land

reforms, availability of credit for business, etc.), he mentions education in the first place among all conditions and premises of East Asian development. [*Sen A.*, 2000: 6-7, 10-12, 14-19].

At last, the authors of the widely known World Bank publication 'The East Asian Miracle', which has generalised the experience of the NICs and up today accomplishes the role of a manual book for students of 'tigers jumps', wrote about *two* main factors of the region's success: "Private domestic investment and rapidly growing human capital were the principal engines of growth." [*World Bank*, 1993: 5].

Really, one can compile the 'tigers' growth factors' list making it as long as he/she likes, and, probably, even a list comprising twenty or thirty factors of the East Asian 'miracle' will be correct and relevant. Meanwhile, no one of the called or yet non-mentioned factors excludes the role of others and it is hardly reasonable to reduce the explanation of the East Asian fast industrialisation to an operation of exclusively one of them. Actually, it is impossible to distinguish them from each other and to highlight every factor as somewhat decisive that pre-determined the success. Each of the called factors attributed to the wonderful growth of 'tigers' in tight interaction with one another. They all made up the entire unity of the strategy and the tactical approach to development policy, which has to be described as a combination of constant adherence to strategic principles, on the one hand, and flexibility of tactics, on the other.

Perhaps, it is unnecessary to describe here the industrial policy the developmental states in East Asia realised in the course of catching up modernisation. There are a lot of publications – books, collections of papers, articles, etc., – devoted to this issue, so it is hardly possible to tell something new about the development policies aimed at stimulating industrial growth. May be, only one remark

concerning the given problem has to be added here, namely, regarding industrial policy in Hong Kong, which has been considered as the symbol of 'the genuinely liberal economy' with minimal state intervention. Instead, in spite of the unbound economic liberties that really existed in Hong Kong, the local authorities did not feel themselves to be irresponsible for the wellbeing of the enclave's population. They not only maintained the institutional environment favouring free market competition but also realised an *industrial policy* aimed at the improvement of the colony's competitiveness on a global scale. This policy took 'soft forms', without direct intervention into business. The authorities of Hong Kong used such instruments of regulation as taxation, trade tariffs, monetary policy, and creation of the institutional conditions facilitating the attraction of foreign investments. At the same time, the authority responsible for the state of the economy offered a broad complement of consulting services to businessmen. Those services comprised a wide spectre of business activities, including such ones as recommendations on design, export promotion and advertising of manufactured commodities. In addition, the respective entities assisted to private business in the training of the labour force and managing personnel.

Thus, even in the most liberal economy among all 'tigers', Hong Kong, the invisible hand of market operated together with 'the visible hand' of government.

In other NICs, where 'the visible hand' was much bigger and more active, the developmental state intended to act in such a manner, which looked as most appropriate for achieving the development's goals at a given time.

For example, the Taiwanese authorities under the Kuomintang regime, holding a huge state-owned industry, mainly nationalised from colonial Japanese property, stimulated the rise of industrial

enterprises being kept to gradual economic liberalisation. They did not privatise the state-owned mills and factories but created favourable conditions for the emergence of new private businesses and co-operated with manufacturing associations assisting them to promote their goods to the external markets. The total number of manufacturing firms in Taiwan increased 2.5 times between 1966 and 1976, what inevitably succeeded in a strong competition among them. Nevertheless, the competition was intensive but not free and spontaneous. The government regulated and restrained the play of market forces, if it was necessary for sustaining export expansion. [Wade R., 1990: 67]. At the same time, the government protected the domestic market from imports, which could weaken the positions of the local producers, establishing either quotas or trade tariffs. The Taiwanese economic bureaucracy controlled, too, almost all infrastructure and built-up the state-owned sector of basic heavy industry. [Chin Kok Fay, Nordhaug K., 2002: 81-82; Wade R., 1990: 256-296].

The Korean developmental state in the course of its industrial policy stimulated the growth of the big business sector, based on broadly diversified gigantic companies, *chaebols*, which comprised many industrial branches, banks, and other financial institutes. Thereby, an oligopolistic competition arose as a peculiar feature of the national market. [Amsden A.H., 1989: 115-130]. It would be interesting to note that within the called above period, 1966-1976, the number of manufacturing firms in Korea increased by a mere 10 per cent. [Wade R., 1990: 67]. Actually, the Korean government consciously encouraged a tremendous concentration of production and capital intensifying, thereby, the growth of entire financial-technological empires, raising over a lot of small enterprises, which were mostly oriented towards the domestic market, while *chaebols* had been the main engines of exports expansion.

The most important and often used economic instrument for creating *chaebols* was the credit-based system. The latter was tightly controlled or even owned by the developmental state, and investing capitals into new branches was, in most cases, the only way for businessmen to acquire profits. A set of 'pocket banks' ('pocket' in a sense of their obedience to the economic bureaucracy but not by their sizes!) enabled allocating resources through a regulation of the discount rate. In addition, the personal relations of the top economic bureaucrats and owners of the big companies had been used by both sides (but with a predominance of the state bureaucracy) as a lever for steering financial flows in 'the right direction'. [Nicolas F., 2003: 94-98; Wade R., 1990: 306-325; Woo-Cumings M., 2001: 347-349, 353-358]. The developmental state in Korea or other Asian NICs as well subjugated all financial and banking institutes to the industrial growth strategy (although in some countries, in particular, in Malaysia, a linkage of financial to industrial policy was not as strong and hard as in Korea). [Chin Kok Fay, 2001: 233 et ff.]. It tightly controlled this system even to a higher degree than industry, and no spontaneity in finances was allowed.

In Singapore, a significant role in the process of industrialisation pertained to the specific alliance of the economic bureaucracy with the large sector of state-owned enterprises, on the one hand, and manufacturing subsidiaries of the leading transnational corporations, on the other. The developmental state in Singapore, being the most important, leading business entity, used, too, both economic and administrative tools stimulating the national private business to move on 'the right way' of accelerated industrialisation. (See, for example: [Low L., 2001: 113-128]. It invested capitals in the new branches of the economy attracting simultaneously inflows of FDI. In particular, the part of public investment in gross fixed capital

reached 26.8 per cent in 1980 and decreased a little to 21.3 per cent in 1994. [Margolin J.-L., 1997: 63].

In the countries that made up the group of the second-tier 'tigers', Malaysia, Thailand, and Indonesia, the state should have not only to encourage industry focusing on new branches with increasingly complicate technologies. Also, it was obliged to worry about reducing social-economic inequality between the local majority ethnic groups and the prospering minorities, mainly Chinese (in all three countries) and Indians (mainly, in Malaysia, where the migrants and their descendants from the southern areas of India played a non-ordinary role). Thus, industrial policy in Malaysia, Indonesia, and, to a lesser degree, in Thailand had to accomplish a twofold function, facilitating industrial growth and eradicating, as it was possible, wide disparities between local ethnic groups and the Chinese, which were the most advanced and richest ethnic group.

The existence of several specific characteristics of the industrial policy in each of the NICs notwithstanding, in all NICs of the region there were some common features of the developmental state activity aimed at stimulating the growth of industry. In particular, many students of the East Asian miracle apply the so-called flying geese model to the description of the E/SEA industrial development as a whole.

The priority in the elaboration of this model belonged to the Japanese economist K. Akamatsu, who was the first to advance it in 1932 with the purpose to perform a trajectory of his native country's industrial modernisation since the Meiji revolution. [Akamatsu K., 1962,; Korhonen P., 1994: 93-108, esp.: 95-102; Naya S.F., 2002: 19-22; Tateishi M., 1997: 27-55; UNCTAD, 1996: 75-81]. As Seiji Naya wrote, referring to Kiyoshi Kojima, successor of Akamatsu, the essence of this model consisted in the performance of E/SEA development as a process resembling to a flock of flying geese.

Japan, whose achievements were justly appreciated as successful development patterns for all other countries of the region, accomplished the role of the leading goose. Respectively, geese that followed beyond Japan had been Hong Kong and Singapore, then – Taiwan province and South Korea. The next that was moving afterward was the tandem of Malaysia and Thailand. Beyond Malaysia and Thailand, Indonesia and the People's Republic of China followed, being accompanied by the Philippines, Vietnam, and the countries of South Asia. [*Mortimore M.*, 1993: 17-19; *Naya S.F.*, 2002: 19-20].

However, the flying geese model had also, so to speak, a technological dimension. It meant that the leading country, advancing new branches of the national economy, transmitted its original technological accomplishments to sequential geese, which might use the leader's experience diminishing the costs of innovations and structural changes.

The flying geese model was actually very close to the product life cycles conception (mentioned above with reference to the paper by Raymond Vernon), and both models operated through flows of direct investments and trade between the countries under consideration.

In the light of both mentioned conceptions, it has to be taken into account that the development of the E/SEA NIC's has been an entire regional process, which presupposes not only the interaction between different countries ('geese') but also the mutual addition of one country's economy to another. In other words, East Asian development is a linked process, nor a mechanical sum of 'separate developments' of individual countries. [*Adams F.G.*, 1998: 13]. Indeed, in the process of East Asian 'shining', the more advanced countries that started taking off earlier relocated part of their industries and some technologies to the less advanced ones. For example, the industrial boom in Malaysia and Thailand at the end of

the 1970s – the first half of the 1990s would hardly be possible without the voluntary and, mainly, involuntary aid of South Korea, Taiwan, or Singapore to the junior co-brothers in 'tigerness'. Really, the industrial development of E/SEA countries succeeded in a creation of an intraregional production system, which gradually became, to some degree, self-sufficient, an evident dependency on the US and West European markets notwithstanding. [Urata Sh., 2001: 435-442].

As it is well known, the admirers of neoliberal theory and policy like to identify macroeconomic and financial stability with each other. Certainly, complete stability implies both aspects, particularly, in the long-term period. Meanwhile, if macroeconomic stability is impossible without stable finances, it does not mean that financial stability cannot exist without macroeconomic stability as a whole. Instead, in the short- and even the medium-term periods, financial stability can be obtained through 'shock therapy' and hard monetarist policy, which enables to repress inflation. However, such a stabilisation, presupposes, as a rule, a high social cost, and does not automatically lead to long-term macroeconomic stability. The latter can be based upon balanced inter-branch linkages, optimised macro-equilibrium between investments and consumption, savings and consumption, etc., and, as well, upon self-sustaining growth that has been accompanied by progressive structural changes. The situation of financial stability without macroeconomic one is, in essence, an unstable, or illusory, stability because, soon or later, macroeconomic imbalances have to explode the financial system. For example, Russia in 1998 and Argentina in 2001-2002 have demonstrated what may be the possible cost of the country's financial stability, if the long-term macroeconomic equilibrium does not support it. This is one of the Russian and Latin American, particularly, Argentine, lessons the 'tigers' must take into account.

In this connection, the 'tigers' may remember their proper experience, too. In the process of E/SEA industrialisation, financial stability was not treated as a self-sufficient goal of development. On the contrary, the obtained financial stability was destined to maintain the uninterrupted growth that, in its turn, was the main condition of healthy finances.

One of the widespread myths concerning the secrets of East Asian 'miracle' consists in the assertion that a massive inflow of the FDI has been the crucial factor of the 'tigers' industrial boom. However, this assertion, frankly speaking, exaggerates the E/SEA reality.

Indeed, FDI were somewhat significant for E/SEA industrialisation, particularly, in the second-tier NICs, which attracted capitals from abroad, mainly from Japan and the first-tier 'tigers'. For example, the Malaysian economy experienced a definite shift, consciously maintained by the government of Mahathir Mohamad in the 1980s-1990s, from the emphasis on the internal sources of investment to that on FDI, mostly Japanese but then, too, Taiwanese, Korean, and Singaporean (although this shift did not drastically change a ratio between domestic and foreign investments). [*Felker G.*, 2001: 134-139, 145-161; *Hersh J.*, 1993: 64-68; *Jomo K.S.*, 2001c: 9-13; *Phongpaichit P.*, 1990: 31-63; *Schmidt J.D.*, 2002: 173-180; *Tateishi M.*, 1997: 27-28, 31 et ff.]. Moreover, it would be difficult to over-estimate the significance of the FDI for the transfer of new technologies from the developed countries to Southeast Asia. Nevertheless, the main sources of investments in the NICs economies were not the FDI but domestic savings that had been enforcedly accumulated under the supervision of the developmental state. While the East Asian 'miracle', from the early-1960s to the mid-1990s, the share of FDI in gross domestic investment in fixed capital rose, not speaking about the total capital

flows, never exceeding 30 per cent in any of the NICs. This maximal rate was achieved in Singapore in the late-1980s – early-1990s. Only Hong Kong extended the share of FDI in gross domestic investment to 36-37 per cent in 1997-1999 when the 'miracle' declined because of the financial crisis. In other NICs, this indicator was lower, and, for example, in Korea and Taiwan province remained to be at the level of a few per cent. [UNCTAD, 1994: 73; UNCTAD, 2002: 275].

At the same time, the share of investment and saving in the NICs' GDP reached a tremendously high level of 35-40 per cent and more; and it was comparable with respective indicators in the former USSR in the years of bloody industrialisation under Stalin rule (see table 9.1). In the post-war decades, mainly in the 1960s, the share of capital investments in the Russian GDP was diminishing and had decreased to 20-24 per cent (what corresponded to the level in the OECD countries!) but then it had grown again to 27.0 per cent in 1975, to 29.5 per cent in 1982 and almost acquired the 30 per cent level (29.8) in 1984 when the Soviet system began suffering the structural crisis. (Counted on: [Ponomarenko A.N., 2002: 214]).

Table 9.1. The gross internal investments in fixed capital, as percentage of GDP, in East/Southeast Asian Newly Industrialising Countries, 1970-1995

Countries	Y e a r s					
	1970	1975	1980	1985	1990	1995
Hong Kong	18.6	19.3	33.2	21.5	26.1	30.6
Korea	24.5	25.6	32.1	28.6	37.3	36.7
Singapore	32.5	35.1	40.7	42.2	32.5	33.7
Taiwan, prov.	n. a.	n. a.	n. a.	18.8	22.4	22.9
Indonesia	13.6 a)	20.3 a)	20.9 b)	23.1	28.3	28.4
Malaysia	16.1	25.1	31.1	36.3	32.4	43.0
Thailand	24.1	22.3	25.2	27.2	40.4	41.1

n. a. – data are not available

a) – including increase in stocks

b) – 1979

Sources /Counted on respective countries' tables, using the data on GDP and gross capital formation at current prices in: *ADB*, 1999b; *ESCAP*, 1980 (for 1970 and 1975); *ESCAP*, 1990 (for 1980).

The study of the industrial and technological policies of the developmental states led many authors to considering the concrete factors' contribution to regional economic growth. Even today, this issue looks as an extremely disputed subject that attracts the attention of many scholars and students. Since 1994, when Paul Krugman has published his famous paper [*Krugman P.*, 1994: 62-78] exposing the East Asian 'miracle' and comparing it with the growth of the Soviet industry because of the extensive character of the both (might be, only the most lazy student of the region did not yet refer to this paper!), debates concerning the measurement of various factors' contribution to East Asian growth did not cease. Indeed, was this growth based upon the intensification of production,

or did it depend on 'the perspiration', i.e. muscle efforts of their labour force? What was more important for the NICs' growth, constantly raising productivity due to newly applied technologies, or input of new resources in an extending degree?

The contribution of the resources' input, labour and capital, as well as, respectively, the one of total productivity growth into the dynamics of the newly industrialised economies of E/SEA, estimated by various researchers, can be seen in table (9.2), composed from various sources.

Table 9.2. The quantitative contribution of the total factor productivity (TFP) to the NICs' growth as percentage of the latter, according to various authors, 1960-1991

Country	Ezaki, 1966-1990	Kawai, 1970-1990	World Bank, 1960-1989	Young, 1966-1990
Hong Kong	32.0 a)	-	43.9	31.5
Korea	15.0 b)	20.9	36.9	16.5
Singapore	4.0	64.7	15.0	2.3
Taiwan, province	21.0 b)	53.6	42.0	27.7
Indonesia	-	24.2	23.1	-
Malaysia	-	23.9	17.5	-
Thailand	-	27.1	36.8	-

a) – 1966-1991

b) – non-agricultural part of GDP

Sources: *Ezaki M*, 1998: 32-33; *Abe Sh., Plummer M.G.*, 1998: 94; *World Bank*, 1993: 46-69; *Young A.*, 1995: 641-680, esp.: 656-664. ⁶³

⁶³ See also: *Felipe J.*, 1999: 1-4, 9-20; *Hernandez Z.*, 2004: 8-9; *Yusuf Sh., Evenett S.J.*, 2002: 33-34.

Various treatments of capital data, being combined with different assessments of the quality of labour and capital can be the foundations of the appearing dispersals in the estimations of the TFP contribution to the 'tigers' growth. [Ezaki M., 1998: 33].⁶⁴

Indeed, what is the most difficult is not counting a contribution of one or another factor of production to economic growth, but estimating and/or measuring the real amount of each of them. Nevertheless, independently on the acquired results, a majority of researchers, who studied and study the role of the different factors in the E/SEA economies' growth agreed affirming that the economic growth of 'tigers' has predominantly been extensive. In other words, they assert that this growth was and continues to be based upon involvement of additional resources into the process of production, and, in this respect, resembled the growth in the former Soviet Union (as Krugman argued) and the Latin American countries.

On the contrary, Michael Sarel insisted on the prevalence of intensive factors of growth in SEA economies. He considered the dynamics of the TFP contribution to growth in Singapore, Malaysia, Thailand, Indonesia, and the Philippines and concluded that in the case of the first three countries the rate of TFP growth was high, whereas it was less intensive in Indonesia and negative in the Philippines. [Sarel M., 1997: 22-34].

However, whether the NICs' growth had more or less intensive character, according to various estimations of its factors, it should be necessary to recognise that there were objective reasons impeding the intensification of the region's economies, particularly, at the beginning stages of industrialisation, when economic growth could not be intensive on objective causes. Indeed, intensification of growth through a rise of TFP becomes possible only when industry

⁶⁴ An overview of various estimations of and approaches to the contribution of different factors to the NICs growth is contained in: *Pack H.*, 2001: 95-142;

attains a definite maturity (here I do not appeal to the concept of 'the maturity stage' proposed by Walt Rostow in his famous book on the stages of growth), i.e. becomes able to function *endogenously*, without props of the developmental bureaucracies. It was hardly possible to reach such a stage only over twenty-thirty years of the industrial boom. Furthermore, at the same time, the suggested predominance of extensive factors of the NICs' growth does not deny the evident fact that East/Southeast Asia has been the most successful developing region in respect to new technology diffusion.

The industrial policy of the NICs' developmental states was indistinguishable from the technological policy aimed at adopting new technologies and, thereby, at elevating national competitiveness. In this respect, the developmental states operated simultaneously in two directions. At first, they stimulated implementation of new technologies through licences purchasing and ensuring firms to borrow innovations from the more technologically advanced countries, and, secondly, endorsed the proper, nationally based R&D systems. Moreover, for instance, Korea and Taiwan preferred rather to create such system instead of expecting scientific-technological assistance from abroad. The authorities and economic bureaucracies in Korea, Taiwan province, Singapore, and, to a lesser degree, in Hong Kong used a broad set of instruments instigating their private businesses to invest in R&D.

What concerned the second-tier 'tigers', such as Malaysia or Thailand, in the course of the long time, their governments aspired for the adoption of the scientific and technological achievements mainly through FDI flows. The latter were treated as main channels for technologies transfer, hence, the TNCs, in opinion of the second-tier tigers' economic bureaucracies, should play a major role diffusing the new technologies into national industry. The only thing

Rodrigo G. Ch., 2001: 39-56, *Yusuf Sh.*, 2001: 15-19.

what would be necessary for technological innovations, from the point of view of the second-tier NICs' developmental states, was a favourable investment climate for newcomers from abroad, whereas the national R&D sphere remained to be underdeveloped and was not conceived as a decisive engine of economic growth. In particular, the government of Thailand actually neglected the significance of the national technological policy until the end of the 1980s, but even despite some efforts undertaken later to initiate such policy, the problem of technological vulnerability and weakness of the country had not been resolved. [*Lauridsen L.S.*, 2002: 107-117].

Nevertheless, neither efforts of the first-tier NICs' economic bureaucracies, nor attempts of the second-tier 'tigers' states to imitate an active R&D policy could abolish the extensive character of growth. In its turn, a high ratio of investments to GDP meant constraining private and public consumption as it was in the former Soviet Union. Furthermore, maintenance of too high a rate of investment would be impossible without strong motives to saving, which was of 'voluntary-compulsory' character. Namely, the developmental state established, through the mechanism of taxation and subsidies, such rules of behaviour for the economic agents that it would be much more advantageous to save and then to invest than to spoil extra-profits, earned due to the exportation of the manufactured goods, for 'prestigious consumption'.⁶⁵ Through the mechanism of taxation, appealing to the traditions of solidarity and communitarianism, the state restrained the growth of super-incomes and supervised the more or less equitable distribution of the yields of modernisation among different social groups. In the course of fast industrialisation, the social-economic inequality diminished, although to an uneven degree in each country. From the mid-1960s to the

⁶⁵ See a brief overview of the savings and investment mechanism in the first-tier NICs in: *UNCTAD*, 1994a: 71-75.

early-1990s, the Gini coefficient and deciles ratio decreased in all Asian NICs. [*Jomo K.S.*, 2001b: 15-18; *World Bank*, 1993: 29-30, 72-74].

Obviously, the NICs' practice of *compulsion to saving* presupposed the intensive exploitation of the national labour force and the regulation of the labour market that was subordinated to the strategic task of enforced outward-looking industrialisation. Thereby, the regulation of the labour market should be corresponding to both the internal conditions of the concrete country's development and the requirements of external demand. In other words, it had to solve the twofold, in itself contradictory task. On the one hand, it should constrain, according to the goals of capital accumulation, the rise of wages and, in addition, the pretensions of the working people to increase their living standard. On the other hand, the developmental state had to care for the training of the labour force, capable to sustain national competitiveness and export expansion. Thus, the 'tigers' governments, regulating labour market, were balancing on a razor edge, demonstrating prodigies of virtuous social policy.

The developmental state(s) constrained the activity of trade unions effectively, combining 'carrot' and 'cane'. In particular, the 'Committee to Counteract Labour Insurgency', a semi-secret authority body, operated in Korea supervising the trade unions activists, who were capable to organise demonstrations or strikes and conducting 'purification campaigns' to suppress them. However, the NICs ruling regimes attempted simultaneously to integrate trade unions into the system of authority, as it was done in Singapore. [*Lee Kuan Yew*, 2000: 103-115; *Maximin B.*, 1997: 208-213]. It did not allow 'free fluctuations' of wages and established terms, within which the level of wages and salaries could vary, only being subjugated to the targets of industry's growth and upgrading. One of

the most efficient levers used to obtain these goals was taxation policy.

Nevertheless, all restrictions and regulations of the labour market notwithstanding, the earnings of hired workers rose in all NICs, and this increase corresponded to the long-term strategy of the developmental state(s) – to elevating the living standards of the population. For example, a rise of the Korean workers' wages looked like a fantastic increase of the ordinary people's well-being. Real earnings in the manufacturing sector of industry rose 2.8 times from 1970 to 1984. Only over decade of the industrial take-off, 1970-1980, they augmented almost 2.5 times. [Amsden A.H., 1989: 196-197].

Another lever that enabled regulating the labour market was the set of institutions and authorities' bodies responsible for training of skilled workers and qualified personnel as well as vocational education. [Ashton D., 2002: 127-136; Maximin B., 1997: 213-219]. Regarding this aspect of the general modernisation strategy, the developmental state(s) used a broad complement of incentives to influence on private business to share its efforts aimed at human resources development, beginning from tax exemption and ending by direct subsidies to enterprises for the training of workers.

Nonetheless, all obvious accomplishments attained in the labour force and human resources development as a whole did not mean that the social costs of the enforced, accelerated industrialisation in the region were of insignificant importance for the vast majority of ordinary, working people. Instead, the workers suffered all 'pleasures' of capitalist exploitation described by Karl Marx in the mid-XIX Century, particularly, at the first stages of industrialisation. [Deyo F.C., 1987: 182-201]. For example, until the mid-1970s, many Korean manual workers did not know what could be paid vacations or, sometimes, even holidays. A peculiarly cruel

exploitation of labour was seen at the export-oriented industrial plants. According to labour legislation, the duration of the working week in all countries of the region should not exceed 48 hours (in Singapore, it was formally be equal to 40 hours, as the International Labour Organisation recommended). However, very often, the real duration of the working week was no fewer than 50 hours and, sometimes, reached 60 or even more hours. In the mid and the late-1980s, when the East Asian 'miracle' began to shine in its full beauty, the working week in Singapore's manufacturing industry lasted 49 hours, in Korea – 54. A genuine record of labour exploitation among the 'tigers' was kept by the Thai export-led manufacturing industry, where about half of the employed people worked 70 and more hours per week. In neighbouring Malaysia, workers of the electronic equipment industry were occupied 14-14.5 hours per day, while the extra-hours of work had been remunerated two times less than the basic part of the working day. [ILO, 1991: 744, 747-750; Maximin B., 1997: 206].

Is it possible to measure the rate of exploitation in the economies of E/SEA NICs? Certainly, nobody can do it calculating the ratio of surplus to necessary time worked (in the Marxian sense), or, respectively, as one of surplus value produced by workers to the amount of variable capital (wages paid to workers) per unit of time. In the given case, it has to be presented as the ratio of value per worker (in manufacturing industry) to the average earning per worker (or vice versa) (see table 9.3).

Table 9.3. The total earnings as percentage of value added per worker in manufacturing industries of some OECD and Latin American countries and NICs of S/SE Asia, 1970-1999.

The OECD countries	1970	1985	1990-94	1995-99
Austria	47	56	53	-
Belgium	46	46	41	-
Japan	32	36	34	-
Netherlands	52	57	61	-
Sweden	52	37	47	-
Un. Kingdom	52	45	43	-
United States	47	40	36	-

Latin American countries	1970	1985	1990-94	1995-99
Argentina	30	19	-	20
Brazil	22	20	-	23
Chile	19	18	-	18
Mexico	44	26	29 a)	-

The Asian NICs b)	1970	1985	1990-94	1995-99
Hong Kong	-	51	-	32 a)
Korea	25	27	26	-
Singapore	36	38	34 a)	-
Indonesia	26	21	19	-
Malaysia	29	30	27	-
Thailand	25	24	28 a)	19

a) – estimation

b) – data on Taiwan province are not available.

Sources: *Rasih R.*, 2001: 99; *World Bank*, 1988: 238-239 (data for 1970 and 1985); *World Bank*, 2003: 54-56 (data for 1990-94 and 1995-99 are counted by myself (V.K.) upon the base of absolute amounts of earnings and value added when not borrowed from [*Rasih R.*, 2001]).

The data in the given table indicate that the exploitation of labour in the 'tigers' manufacturing industry in the course of accelerated development was much more extensive than in the OECD countries (except Japan!), differing a little from the one in the leading industrialising countries of Latin America. Nevertheless, the high degree of labour exploitation in the Asian NICs did not mean ignoring the significance of the social security problem. The development policy realised in the first-tier NICs, particularly, in Singapore, can be evaluated as a sequentially *moderate social-democratic policy with East Asian specificities*. The rise of a social protection system in combination with fast industrial growth gave foundation to Goh Keng Swee to call the Singaporean economy, with a little irony in respect to 'real existing socialism' of the USSR, as "a socialist economy that works". [Goh Keng Swee, 1995c: 94-106, esp.: 99-106].⁶⁶ However, the government of Singapore, as well as the developmental states in the other NICs, created a system of social security and protection not only for the sake of social stability. Rather, the economic bureaucracy of the NICs paid attention to social security issues in tight connection with industrial policy, which could not be successful without the respective human resources development. The most important direction of social policy in the E/SEA was people's education that had apparently been treated as no less significant than investments or the adoption of new technologies. Moreover, industrial and education policies in the NICs were indistinguishable from each other, and the sphere of mass education had become, too, a field where the broad consensus between all social groups of the region's population was attained.

⁶⁶ A major role in the Singaporean social protection system pertained to the Central Provident Fund (CPF) that provided assistance for poor people, including housing for them. [Low L., 1998: 182-183, 188-190].

(Perhaps, in this connection, it is worth to refer to Robert Lucas jr. who, in contrast to the widespread estimates concerning the factors of East Asian growth, argued, using an econometric analysis based on modifications of the well known production function of Cobb-Douglas that “[T]he main engine of growth is the accumulation of human capital...”. [*Lucas R.E. jr.*, 1993: 270].)

It is relevant to remark that accomplishments in mass education, particularly, those in countries, which belonged to the first generation of ‘tigers’, had some important premises rooted in the colonial times as well as in their cultural traditions, including a widespread reverent attitude to knowledge and studying, inherent to Confucianism and other philosophical-religious systems of the East. For example, still in the 1930s, the Japanese colonial authorities developed a mass education system according to the requirements of pre-industrialisation in Korea and Formosa (Taiwan) island, so in the first post-war decade, about three of fourths Korean and Taiwanese school age children were literate at the primary level. In Hong Kong and Singapore, the British governors ensured a system of training for trade, banking, and transportation taking into account the significance of these cities for the declining colonial empire.

All these backgrounds facilitated creating the education system that should completely be corresponding to the stage of industrialisation upon a self-upgrading technological base.⁶⁷ Thus, the previously widespread shortage of a skilled labour force as a whole had successfully been resolved in the NICs, where governments did not economise expenses on account of the resources for education. For example, in Singapore, the total amount of the public and private expenditures for education from 1960 to

⁶⁷ “... I stress the indispensable importance of education for training in the productive capabilities vitally essential to industrial modernization and economic reconstruction” –, the Korean dictator Park Chung Hee wrote. [*Park Chung Hee*, 1962: 246].

the end-1980s (i.e., during the period of thirty years!) grew faster than GDP. [Low L., Toh M.H., Soon T.W., 1991:137]. Other 'tigers' tried not to lose competition in this respect to the Merlion city-state and increased their investments in education by a high pace, too. In particular, at the end of the past millennium, the public expenditures for education in Korea were 4.4 per cent of GDP – lower a little than the OECD average of 4.9-5.0 %, but the total expenditures for these goals reached 13.3 % of GDP, including the private spending of the pupils' parents and firms for the personnel training. [World Bank/OECD, 2000: 15, 59]. Between 1970 and 1989, the *real* expenditures per pupil ("per studying capita", speaking the language of statisticians) at the primary level in Korea rose by 355 per cent whereas in such an industrialising country of Latin America as Mexico, they augmented only by 64 per cent over the same period. [World Bank, 1993: 45]. (For the sake of study's 'purity', it should be noted that such a fascinating increase of the educational expenditures per capita was reached, to a big degree, due to the essentially diminishing share of the population of schooling age below 14 years – from 40-44 per cent in 1965 (Korea, Singapore, Hong Kong) to 22-26 per cent in 1989 [Vernière M., 1997: 231, 239] because of the general birth rate decrease in the course of industrialisation and urbanisation.)

The total rise of expenditures for education in the E/SEA NICs was undistinguished from a respectful relation to the person of the teacher, profoundly rooted in the social-cultural traditions of the region. The profession of the teacher had been evaluated very highly, and the corresponding level of teachers' salaries in the NICs proved this high evaluation in quantitative respects. For example, still at the beginning of the 1980s, when the industrial take-off in Korea was not yet completed, the starting salary of primary school teachers, i.e. the salary of young teachers, who had not sufficient

experience of teaching, was approximately equal to that of the army captain. College and university young teachers got the salaries, which exceeded those of an army mayor. [*Amsden A.H.*, 1989: 219]. (Obviously, there is no secret that Korean society was deeply militarised in the conditions of Cold War and the confrontation with the North, so military service had been treated as a very prestigious job and was well paid.)

Augmenting public expenditures for education, the developmental states of E/SEA simultaneously encouraged private enterprises to finance and develop the labour force training directly at enterprises, not only accordingly to the principle 'learning by doing' but with purpose to anticipate the next stage of industrial policy and productive technologies upgrading. However, this practice of vocational training appeared as little efficient and was really of secondary importance.

The education system in the E/SEA NICs manifested its correspondence and adequacy to the strategic goals of development these countries intended to attain. Together with radical poverty reduction, it was one of the region's outstanding achievements during the period of catching up modernisation. Good, high quality of mass education in the Asian NICs has regularly been approved by the results of international competition and tests their school pupils participate in. For example, in the Third International Mathematics and Science Study (1996), students of the eighth grade from Singapore, Japan and South Korea were the three top-scoring participants in mathematics among the forty-one countries that participated in the study. The three top-scoring countries in science were the mentioned ones, too. The international assessments, which were held in 2000 (and later, in December 2004), confirmed again the high rank of the East Asian education system. [*OECD*, 2000:

302-311; Ng Aik Kwang, 2001: 98-99; Schleicher A., Tamassia C., 2002].

Nonetheless, these and other social accomplishments of the Asian NICs, mostly, the first-tier 'tigers', as well as their undeniable economic achievements could not hide some essential deficiencies of their social security and social insurance system, particularly, comparing to those in the industrial western countries. Rather, this system carried in itself the character features of the old social paternalism and patrimonialism than has been performed as somewhat similar to the western social-democratic welfare state. (See, for example: [Aspalter Ch., 2001: 23-73; Ramesh M., 2004: 8-16]). In Korea, *chaebols* have been not only 'the business entities' but also accomplished the function of social protection for employed workers. Own hospitals, recreation and training centres, shops, where workers might purchase goods with corporate discount, and many other privileges or benefits have been various forms of social paternalism and contributed to the maintenance of social partnership, smoothing the negative consequences of capitalist exploitation.

Meanwhile, the relative backwardness of the social protection and social security system in E/SEA NICs – in comparison to the welfare state in the western societies – was not the only 'weak link' within their social-economic 'body' that made them vulnerable to various turbulences and storms in the ocean of the globalising economy. Successful development by itself was probably the main cause of their vulnerability and conditioned, to a big degree, the maturing of the regional financial crisis in 1997-1998.

10. Great Achievements as Premises of the Crisis, or Miracle as Background of Debacle

July 2nd, 1997 was a day when the East Asian miracle has begun dissipating like morning fog disappears when the first beams of sun arise from the line of the horizon. On this day, the Black Wednesday for the 'tigers', the Thai baht suffered the first devaluation under attacks of financial speculators, and, a shadow of the wide-scale financial-economic crisis emerged on the threshold of every home and every office in the region. The East Asian miracle has turned into debacle. Such turn of events reminded one of the lost decade of the 1980s in Latin America and the *tequila crisis* of the mid-90s or the experience of the formerly Soviet territory that apparently drifted towards the Third World becoming *un espacio de soledad y de olvido* (a space of solitude and oblivion), speaking with words of Gabriel García Márquez.

A lot of books, papers, articles, interviews, etc. devoted to the East Asian debacle were published after 1997. Probably, the amount of published books and other printed matters that exposed the 'tigers' debacle is comparable, by its size, with the one, which glorified the region's miracle some years earlier. Various researchers mention different causes and factors that, in their opinions, can explain why the crisis has come and so seriously injured the 'tigers'. Their explanations refer to insufficient financial transparency of the big companies and banks, the tremendous concentration of property in the hands of the owners,⁶⁸ the tight interventionism of the

⁶⁸ Indeed, in 1997, on the eve of the crisis, a family of the main proprietor owned, in average, 43 per cent of all assets of Korean chaebols, in particular, 60 per cent of Hyundai, 49 per cent – of Samsung, 41 per cent – of Daewoo, 40 per cent – of LG. [Lautier M., 1999: 754].

developmental state, the lack of a genuinely free market, the system of 'crony capitalism' with the inevitable corruption, which replaces the market allocation of resources by 'personal arrangements', a speculative boom at the real estate market, the overloading of the banking system by 'bad loans', the low effectiveness of investments, the incapacity of the innovations' sphere to respond to the new challenges of global competition, the inadequacy of the production structures to world demand, the obsolete management attitudes, etc., etc., etc. Undoubtedly, each of these and many other factors or causes played a definite role in the maturation of the crisis premises; each of them contributed, to more or less degree, to the emergence of the financial-economic storm over the region, and any approach to the Asian crisis, focusing on one or another factor or cause of the latter, reflects, at least, a small part of reality.

Nevertheless, it is necessary to take into account, studying the crisis of 1997-1998 in East/Southeast Asia, *the concrete world context* of the debacle, which occurred to the NICs inasmuch as this context has to be considered when one speaks about the rise and growth of 'tigers'.

Therefore, it seems indispensable to observe, considering the sources of the crisis, both the internal causes of the financial-economic turbulence and the external challenges the 'tigers' could not respond to.

Leaving the analysis of all, even the essential, causes and factors of the Asian crisis beyond consideration, it is relevant to draw attention to the talks about the inevitability of the crisis on cause of the developmental state activity, namely, to the assertions that state regulation and bureaucratic interventionism have been the two main reasons of the 1997 debacle.

At first sight, it is very easy to attribute all failures and unhappiness that occurred to 'tigers' in 1997-1998 and afterward to

the developmental state. In particular, the neoliberal approach to East Asian issues opposes the case of Hong Kong, which was not profoundly afflicted by the crisis, as a pattern of a free market economy triumph to practices of other Asian NICs, where statism seemingly prevailed over the market. [Yoshihara K., 1999: 74-76]. The verity of this view has been affirmed proclaiming banal truths similar to the following one: "The market economy is the only institutional framework, which delivers a high standard of living" [Ibid.: 83].

However, no admirer of the free market could yet explain why state regulation and interventionist policy allowed to sustain a fascinating growth during two-three decades but, suddenly, the capability of the developmental state to accomplish the role of the main creator of the miracle declined. Meanwhile, what is the matter is not the hard opposing of free market and state to each other, but East Asian development by itself. The Asian 'tigers' experienced serious injuries because they have fallen into the *modernisation trap*, which has emerged in the process of fast industrialisation/modernisation. Namely, all previous achievements and accomplishments of the developmental state became, at the same time, the major premises of the 'tigers' disease.

Those aspects and characteristics of the developmental state, and the efficacy of the developmental state, which was undoubted in the 1970s-80s, became inadequate to the new challenges and alternated conditions in the 1990s. [Yusuf Sh., 2001: 20-25; Ito T., 2001: 64-76]. Originally, keeping distance from private businesses and steering them to operate according to the goals of industrialisation, the developmental state and its enlightened bureaucracy gradually submerged in below a network of interpersonal relationships with the corporate managers and shareholders. It succeeded in a situation when the developmental state ceased to be unsusceptible to the

vested interests, and 'structural corruption' became an undistinguished element of the entire system even in such country as Korea [*Woo-Cumings M.*, 2001: 344], not speaking about the second-tier NICs. In the 1980s, the Chun Doo Hwan regime that had come to power after the assassination of Park Chung Hee streamed down into a marsh of corruption experiencing a series of permanent scandals. [*Harrison S.*, 1987: 162-164]. In the SEA countries, state protection and other character features of 'crony capitalism' were indispensable props and fundamentals of the economic system even to much more degree than in Korea or Taiwan. (Singapore accomplished a function of exclusion from this tendency.) Soon or later, the practice of state interventionism led to the rise of rent-seeking business structures accustomed to operate in privileged conditions, although not always rent-seeking presupposed unproductive or even parasitic activities. Sometimes, and these were mostly the cases of the second-tier Asian NICs, rent-seeking might contribute to real productive development, economic growth and the emergence of new branches of industry. In other words, these were the cases when it would be impossible to separate 'good' and 'bad' aspects of state activity from each other. [*Gómez E.T., Jomo K.S.*, 1997: 5-8, 40-41, 52-53; *Robison R.*, 1985: 295-327; *Jomo K.S.*, 2001d: 472-473]. In particular, the E/SEA developmental state(s) confronted the same problem as that the statism in the former USSR could not resolve: the enlargement and complication of the economy, the multiplicity of inter-branch ties and the modernisation of the social structure, i.e. the outcomes of the developmental state's activity did not enable to apply the obsolete attitudes to management and resources allocation in changed conditions.

One of the positive features of the Asian 'crony capitalism', or 'the developmental state protected capitalism' in E/SEA, which differs it from Russian bureaucratic capitalism, concerns its

involvement into the productive activity in manufacturing industries whereas its Russian 'analogue' is entirely built up on petroleum pipeline ('mustiness!'), what suggests a peculiarly parasitic character of the existing system. We can criticise the rent-seeking practices widespread in Southeast Asia and even diffused into the body of such first-tier 'tiger' as Korea, but we have to recognise that these practices required and require the accumulation of capital, the adoption of new technologies, human resources development and many other kinds of positive activity. Otherwise, rent-seeking would be impossible at all. Nevertheless, the experience of Russia sunk in the marsh of 'structural corruption' looks as a warning to the Asian NICs: if the developmental state has not been controlled from inside and outside, if it has spontaneously been navigating amidst the waves of globalisation, where a corrupted bureaucracy sees only a set of tempting 'goods of the civilised world', this state can become one of the major obstacles to the further development of the country.⁶⁹

Besides the objectively contradictory character of the developmental state conditioning the gradual decline of its efficiency, also there was such a circumstance, which impacted on the health of the 'tigers' as a profound modification of the production system in the region. Indeed, one of the main reasons that inspired many researchers to reconsider the role of the developmental state was the emergence of the global and regional commodities production networks, very often due to the activity of TNCs that could not be regulated from one centre remaining informally subordinated to something like the Economic Development Board in Singapore or the

⁶⁹ A premature liberalisation of the economy, as a reaction to the developmental state's incapacity to operate with efficacy in the new conditions, does not exclude corruption. On the contrary, it creates conditions favourable to corruption. [*Schmidt J.-D.*, 2002: 181-183].

omni-mighty MITI (the Ministry of the International Trade and Industry) in Japan.

At the same time, the developmental state, in the process of its functioning, created social-economic premises for a radical revision of its role. As outcomes of development policy, new social groups and classes rose in East Asia. In particular, it would be almost impossible to compare the social structure of Korea in 1961 when general Park Chung Hee had come to power and this structure in 1997 when labels of Korean chaebols had been recognised in both London suburbs and West Bengal villages. [Gereffi G., 1998: 38-59]. Therefore, it was not surprising that in the 1990s, even those authors, who recognised the significance and merits of the developmental state in E/SEA, began to revise some original approaches to the given issue. It was becoming evident that the developmental state had accomplished its historical mission and should change its functions and attitudes to the process of development. [Moon Chung-in, Prasad R., 1998: 9-23].

Nonetheless, independent of whether we mention a group of factors that facilitated the emergence of the crisis, or pay attention only to one of them, *the cause* of the sudden turn of the East Asian miracle into a debacle has been the successful catching up development as itself. Respectively, the roots of such events that ceased the wonderful jump of the 'tigers' from the Third to the First World should have to be found in the process of their fast modernisation over three decades before July 2nd, 1997.

The utmost what has to be noted here is the fact that development of the E/SEA NICs, as it is well known, was uneven development. The manufacturing branches oriented mostly towards external markets grew very rapidly and successfully, whereas other ones have been stagnating or developed slowly. The outward-looking enterprises received additional investments and adopted new

technologies; the firms producing output for the internal market were almost deprived of necessary capitals, human resources and access to new technologies. In Korea, while the large-scale industrial conglomerates prospered being oriented towards external markets, the small and medium enterprises faced many difficulties, from high interest rates of banking loans to restrictions conditioned by their subordinated, sub-contractors' positions in relation to big companies, which squeezed a spectacular part of their profits through a mechanism of unequal exchange. The small and medium enterprises' sector of the Korean economy was obliged, for the sake of survival, to hire poorly paid and low-skilled workers, restraining itself in innovations. [Jacobs N., 1985: 149-150]. Actually, the rising industry appropriated a dual character attributing it to all the economy and social structure in Korea. Disparities that arose as a result of such uneven development devalued the general effect of growth and technological innovations. The similar situation could be observed in Taiwan province, too, where the outward-looking sectors of the economy performed by big private and the state protected enterprises essentially exceeded the rest of branches in technological respect. [Lau L.J., 1998: 55-56].

What concerns the second generation of 'tigers', their social-economic dualism existed in much sharper forms than that in Korea or Taiwan. The concentration of capital and production in the Malaysian or Thai economies, consciously supported by the state, succeeded in a situation where the lion share of all industrial and financial assets was retained and controlled by big leading companies. [Jomo K.S., 1997: 103 et ff., esp.: 109-115; Phongpaichit P., 1997: 77, 79-81]. The latter appropriated, probably, even independently of the will of the economic bureaucracies, a big part of all benefits of the industrial and technological policies. On the contrary, the small firms acquired only

few yields of the state protectionism and export orientation of the national economies being capable to output mostly for the internal market. Thereby, the economic growth in Malaysia aggravated an uneven distribution of the results of the 'miracle', although all ethnic and social groups of the population increased their incomes, and the general level of poverty was apparently reduced. In particular, during the 1989-1995 boom, the average real household income in urban areas increased faster than in rural ones, annually by 4.4 and 1.5 per cent respectively. [Yusof Z. A., 2001: 88, 91]. Evidently, it widened the gap between urban and rural areas, reproducing the internal central-peripheral structure of Malaysian society and impeding the enlargement of the internal market. Simultaneously, such a trend in income distribution raised the vulnerability of the national economy to the world conjuncture oscillations and strengthened the dependency of the country on the global market. Over the whole period from 1971 (when the New Economic Policy aimed at reducing disparities between Malays and Chinese started to be realised) to 1990, the income disparity between the urban and rural population dropped from 2.14 to 1.7 times, but then increased again to 2.04 in 1997. [*Ibid.*: 76-77]. Actually, the inward- and outward-oriented sectors of the NICs economies existed, as it seemed, independently from each other, although this independence had been, rather, superficial but not intrinsic. Speaking in other words, their mutual linkages were so weak that in no country of the region (except the city-state Singapore and Hong Kong) the economy did not operate as an entire national complex.

The other group of imbalances and macroeconomic disproportions that arose in the process of East Asian industrialisation concerned the correlation between dynamics of GDP and investments.

The rapid accumulation of capital through mechanism of 'semi-compulsory' savings-investments inevitably widened the gap

between investment and consumption. This gap can be illustrated by the respective data based upon the statistics of the main macroeconomic indicators from 1960, the eve of the 'tigers' industrial boom, to 1997, when the crisis occurred (see table 10.1).

Table 10.1. Indices of the consumption and domestic investments (in fixed capital) in the NICs of East and Southeast Asia, 1970-1997 (1960=1.0)

Country	Public consumption a)				Private consumption of households				Gross domestic investments			
	1970	1980	1990	1997	1970	1980	1990	1997	1970	1980	1990	1997
Hong Kong	2.3	6.1	10.2	14.5	2.3	5.9	11.4	17.4	2.0	7.0	9.9	20.8
Singapore	3.2	6.0	11.3	20.2	1.7	3.1	5.5	8.7	6.5	14.9	21.2	40.8
Taiwan, province of China b)	-	-	1.9	2.4	-	-	2.2	3.6	-	-	1.8	3.1
South Korea	1.7	3.5	6.3	9.3	2.0	3.8	8.2	13.6	8.3	23.6	76.7	117.7
Indonesia	1.1	3.4	5.3	6.3	1.5	3.5	5.5	9.7	1.6	5.7	11.2	21.9
Malaysia	2.1	5.6	7.3	11.9	1.5	3.0	4.6	7.2	2.1	6.1	8.1	21.6
Thailand	2.5	6.0	9.2	13.6 c)	2.0	3.6	6.7	10.2 c)	4.3	8.1	18.6	33.4 c)

a) – including expenditures of the commercial and non-commercial public but non-state organisations

b) – 1981=1.0

c) – year 1996

Counted on: *ADB*, 1999b, respective countries tables; *World Bank*, 1984: 224-225; *World Bank*, 1992: 232-233; *World Bank*, 1999: 210-211.

In truth, such a gap, together with the harsh regulation of wages, meant the relative underconsumption of most of the working people in the NICs, the evident increase of the ordinary people's incomes notwithstanding. Even an evident eradication of mass poverty, mainly, in the first-tier NICs, did not demolish this fact of insufficient – not in absolute terms but in relation to the attained level of economy – consumption of large groups of the population, which negatively influenced the quality of the labour force, particularly, in the long-term prospect.

As the table indicates, in the course of a long time, Hong Kong was the only 'tiger', whose pace of the private consumption growth had been balanced with that of investment. In this respect, all other NICs performed the alternate trend of development. In the early-1980s, when the industrialisation of East Asia had still been shining, even the first-tier NICs were retarded for 18-20 years from the West European countries by their GDP per capita (measured by PPP).⁷⁰ In other words, the time distance between them and Western Europe was around twenty years. In the mid-80s, they remained behind the latter for 12-13 years. At the beginning of the 1990s, their retardation had been insignificant, about five years only. Moreover, such 'tigers' as the cities-islands Hong Kong and Singapore exceeded many OECD countries by their GDP per capita. However, having GDP per capita approximately at the same level as the developed nations of West Europe had, the first generation of 'tigers' (except Hong Kong) lost the competition by the level of private consumption per capita measured, too, in international dollars by PPP. In particular, when the GDP per capita in Korea, in Taiwan province, and Malaysia 'crossed' a line of 7000 international dollars (it was in 1988, 1983, and 1996, respectively), their real private consumption per capita

⁷⁰ Upon the base of data counted by A. Maddison [*Maddison A.*, 2001: 276-277, 304-305; *Maddison A.*, 2003: 62-65, 184-185].

was lower by 25-30 per cent than in most West European countries when the latter exceeded this level in the 1960s. In this respect, Taiwan was closing to Hong Kong only in the 1990-s, when the province's economy began to turn to consumption instead of accumulation, while the other 'tigers' followed the original way. As a result of such a tendency, in 1995, Singapore, for example, exceeding most West European countries by GDP per capita, reached the same level of private consumption per capita as it was acquired in these countries 10-15 years earlier. In addition, government consumption did not enable the 'tigers' to compensate their retardation from the West European competitors by private consumption. The share of government consumption in the NICs' GDP, as a rule, was equal to 8.0-11.0 per cent of GDP, and, among all 'tigers', merely Taiwan approached to the West European level, 16.0-17.5 per cent, with subsequent gradual decreasing to 14.0-15.0 per cent.

In Singapore, the share of private consumption in GDP decreased uninterruptedly since the mid-1970s. It dropped from the level of 60-62 per cent that corresponded to the respective rate in some OECD countries, when in 1977 the Singapore GDP per capita had crossed the threshold of 7000 US dollars (measured in the 1990 international dollars by PPP), to 44-47 per cent in the mid-1980s and onward. In 1995, it had fallen to 41.9 per cent, to 41.1 – in 1996 and to 40.1 per cent of GDP – in 1997. Simultaneously, the share of government consumption over this period diminished from 16.2 per cent in 1977 to 10.2 per cent in 1990 and, at last, to 8.5-9.5 per cent in 1994-1997. The similar tendency had been observed in Malaysia, where the share of private consumption in GDP declined from 53.1 per cent in 1981 to 45.0 per cent in 1997 and to 41.0 per cent in 1998, while the share of government consumption decreased, too, from 18.1 per cent in 1981 to 11.1 – in 1997 and

10.8 per cent – in 1998. (Counted on: [ADB, 1999b: 182-183, 282-283].)

The low level of consumption and wages as well, particularly, in relation to the acquired volume of output, restrained the enlargement of the internal market and partly depreciated the developmental state's efforts aimed at human resources development. Actually, the economic bureaucracies of the Asian NICs involuntarily underestimated the importance of spontaneous accumulation of human capital, a genuine foundation of any creativity and innovative capabilities in private households as well as spontaneous innovative activity initiated from below. In the end, this approach to the role of private consumption did not favour scientific-technological innovations, which became particularly significant in an ever-extending degree in the conditions of post-industrial shifts in the West and aggravating competition with the manufacturing industries of China, India, and Vietnam. Such competitive advantage as the low level of wages in manufacturing, which previously facilitated the 'tigers' to sustain their export expansion, became disappearing and, furthermore, turning into its opposite. As a result, the E/SEA NICs confronted the same problem as that neither Latin American countries nor the former Soviet Union (nor its successor-states) could resolve in the 1980s and then in the 1990s. Namely, the low level of wages and private consumption as a whole, the radical poverty reduction in the region notwithstanding, had been one of the main causes that made the NICs vulnerable to oscillations of the global demand and debilitated their scientific-technological capacities.

The developmental states tended to compensate the obvious weakness of the NICs' S & T potential, emphasising on implementation of the new technologies borrowed from the

advanced countries.⁷¹ Hence, the characteristics proposed by Jorge Katz in respect to the practice of innovation policy in Latin America, 'bureaucratic innovative culture' (see above chapter 4), could be applied, to some degree, to the Asian 'tigers', too. Really, the developmental states attempted to implement innovations by orders, ignoring a set of all nuances and conditions, which were in truth necessary for technological breakthroughs. The situation in R&D of the E/SEA NICs as a whole not only nor corresponded to the level of R&D in the most Western countries, but also disagreed with pretensions of the first generation of the Asian NICs to 'full membership' in a club of the industrially developed nations. For instance, even in Singapore, the ratio of R&D expenditures to GDP did not exceed for a long time the level of 1 per cent (it was equal to 0.9 per cent in 1987), and in 1995 it increased to 1.13 per cent. In this respect, the only 'exclusive tiger' had been Korea, where the R&D ratio was equal to 1.9 per cent in 1988 – an indicator, which appeared very close to that in the West European countries. [MASTIC, 1996; UNCTAD, 1995: 21]. Then it drastically elevated to 2.8-3.0 per cent of GDP before the crisis; in total, the public and private expenditures for R&D in Korea increased almost 26 times over a period of about fifteen years, from 1981 to 1996. In addition, the growth of private industry's investment in science and technology overtook that of public expenditures in the same sphere. Nevertheless, despite a high rate of funding for R&D, the amount of these expenditures was not too big in absolute terms. For instance, in the second half of the 1990s, it was comparable with the one that such industrial giants as General Motors or Siemens invested in

⁷¹ "For the first time in history, backward countries industrialized *without proprietary innovations*. They caught up in industries requiring large amounts of technological capabilities without initially having advanced technological capabilities of their own. Late Industrialization was a case of *pure learning*, meaning a total initial

scientific research and creation of new technologies. [*Chung Sung Chul*, 2001: 120, 125].

It is hardly relevant to describe here how the system of R&D in Korea or other NICs was organised, how it worked in both public and private sectors, what were the mechanisms of financing, choice of priorities, etc. (See, for example: [*Chung Sung Chul*, 2001: 126-131, 137-143]). What is the main matter concerns the substantial results of this system's functioning, actually, it was neither an occasional mistake nor a consequence of the consciously chosen direction of policy, but, rather, an outcome of the catching up development strategy aimed at imitation of the advanced countries achievements without a transplantation of the social-economic mechanisms and institutions capable to transform East Asia into the new world pole of sciences and technologies. Even if economic bureaucracies in the region would want to avoid possible misfortunes and would be able to comprehend all aspects and hidden nuances of the contemporary technological revolution, they could hardly turn their countries into leaders of R&D on a global scale because none of the NICs had significant backgrounds for endogenous technological breakthroughs. Moreover, neither Korea nor any other member of the 'tigers' family had sufficient time to develop basic sciences; even moderate achievements in the latter presuppose an existence of the national scientific schools with proper traditions, which cannot arise from air. The situation in the sphere of basic scientific research in the region had been aggravating because of inappropriate, vicious organisation of R&D. In particular, the Korean university professors were (and are) overcharged by teaching obligations and could not spend the necessary time for research activities. In its turn, university education was not linked to research, and universities

dependence on other countries' commercialized technology to establish modern industries" –, Alice Amsden noted in this connection. [*Amsden A.H.*, 2001: 2].

were very poor in research facilities because of their “extreme teaching-orientation”. [*Chung Sung Chul*, 2001: 143, 145; see also: *World Bank/OECD*, 2000: 98-99]. In other words, inertia of industrial organisation, which superficially imitated patterns of industrial development in the West, was spread to a sphere that required another approach to it. All attempts to copy the principles of industrial enterprise functioning in R&D did not and could not lead to the expected efficacy.

At last (but not least), ‘a bureaucratic innovative culture’ in the NICs, mainly in Korea, was conditioned, to a big degree, by specific, ‘repressive-paternalistic’, approaches to governance as a whole, which had been expressed in relation to the university graduated specialists. In particular, the *chaebols* managerial elite looked on the hired professionals like on servants but not partners. [*Drucker P.*, 1998:16]. Obviously, such practice suppressed the initiative of personnel occupied in the R&D sphere.

Deficiencies and vulnerabilities of the R&D policies of the Asian developmental states were particularly obvious in the second-tier NICs, such as Malaysia and Thailand. Objective restraints and limits to successful scientific-technological development in the SEA NICs, despite efforts of the governments, did not allow them to create the R&D base that would be adequate to the pace of their industrialisation. [*Felker G.*, 2003: 136-172]. However, besides objective circumstances that impeded a nationally based R&D, the governments of both mentioned countries underestimated over a long time, in practical respect, the importance of proper scientific and technological capacities. For instance, the share of R&D in GDP of both Malaysia and Thailand declined from the mid-1980s to 1997, the growth of R&D expenditures in absolute terms notwithstanding. This share dropped from 0.21 per cent of GDP in 1987 to 0.12 per cent in 1996 in Thailand, and from 0.37 per cent in 1992 to 0.22 per

cent in 1996, on the eve of the crisis, in Malaysia. [*Lauridsen L.S.*, 2002: 109-111; *MASTIC*, 1996]. The shortage of resources for R&D expenditures as well as deficiencies of technological policies in the second-tier NICs had been combined, mostly in Thailand, with the institutional weaknesses of the state agencies and authority bodies responsible for scientific and technological development. Sometimes, these bodies had not sufficient power to contest with other, more powerful offices and ministries, which influenced, directly or indirectly, on the industrial policy as a whole and matched the R&D with somewhat of low priority. [*Lauridsen L.S.*, 2002: 111-113].

However, what was much more important for the E/SEA NICs R&D system efficacy, concerned the human potential and intellectual capacities of their labour force as a whole. The latter, by its structure of levels of education of the occupied people, corresponded rather to the early stage of the late-industrial modernisation than to real shift towards a domination of the skilled-labour and high-tech industries based on a proper R&D background. In the first half of the 1990s, the share of employed people with tertiary education in the total labour force in the NICs was 3-4 times less than in the most advanced countries of the West and in Japan. Only Korea was able to compete with the industrially developed nations on this indicator: in the late-1980s – the early-1990s, 13 per cent of the economically active population of the country were graduated from universities and higher colleges while the share of such people in Japan reached 19 per cent, and it was equal to 26 per cent in the US. [*Besson D.*, *Lantéri M.*, 1994: 26; see also: *Fleming D.*, *Søborg H.*, 2002: 153-168].

In the second-tier Asian NICs, enrolment in secondary and, particularly, tertiary education ratio was essentially lower than in the first-tier countries, so their capability to respond to the crisis from the point of view of their human resources quality, could hardly be

recognised as satisfactory. [*World Bank*, 2001: 284-285]. For instance, in 1992, Thailand had the same GDP per capita as Taiwan in 1978, but Thailand's gross enrolment ratio at secondary schools level languished at only 37 per cent, less than half of Taiwan's in 1978. [*Wade R., Venoroso F.*, 1998a: 9, note 11]. In addition, despite obvious progress in mass education, the E/SEA NICs, particularly those of the second generation of them, indicated very unequal enrolment ratio by various areas. Unequal access of rural and urban, poor and middle or rich strata to education in Thailand had become a serious social problem, which impeded the elevation of labour force quality and, thereby, devaluated all efforts of the state to increase the country's competitiveness. [*Pangestu M.*, 2001: 34].

Even such highly developed and, in many respects, socialist country as Singapore (socialism that worked!) did not avoid the rise of inequalities and imbalances in the quality of different categories of the labour force. This problem had been aggravated in the 1990s, under impact of globalisation, when the Gini coefficient increased in Singapore from 0.45 in 1987 to 0.461 in 1997 after drop to 0.432 in 1990. (Such an increase of social-economic inequality in Singapore contrasted with the tendencies, which predominated in the course of industrialisation at the early stages and did not alternate in Korea and Taiwan.⁷² However, the fascinating progress of the city-state in skills training and education concerned mostly the young people, whereas the older inhabitants were almost not touched by the innovations in technologies and human resources development. It was the main cause of the widening disparities between rich and

⁷² Inequality of income distribution in Korea diminished over the 1990s. For instance, the Gini coefficient counted for households stably dropped from 0.386 in 1980 to 0.336 in 1988 and to 0.31 – in 1998. [*Ramesh M.*, 2004: 21-22].

poor in Singapore. [Low L., Ngiam Tee Liang, 1999: 238-239].⁷³ Certainly, in Singapore, there was no misery or absolute poverty by itself, and it was impossible as well to see homeless people on the streets, but it did not mean that poverty did not exist at all. It was *relative*, and even relative poverty became, at least, to a small degree, one of obstacles to the acceleration of the scientific-technological innovations' diffusion because it hindered the training of the contemporary labour force, not only 'creators' but 'creative executives', too.

In addition, the character of training and education at all levels in the NICs corresponded rather to the imitative model of development, but not to the strategic task of transition towards a nationally based, self-sustaining progress of R & D. All undeniable accomplishments of the 'tigers', particularly, of the first-tier NICs, in education were attained being subordinated to the training of skills, which should have to enable working people to utilise the *imported* equipment, including, of course that of high technologies. As Alice Amsden wrote, the schooling in Korea was aimed at the successful political socialisation of pupils but not at the technical training for self-sustaining industrialisation. [Amsden A.H., 1989: 219]. The system of education in this country and other Asian NICs as well did not facilitate the development of creative capabilities of students but, rather, was destined to form a responsibility for assigned job and to train skills to deal with technically complicate equipment manufactured by other people, probably, abroad. It was the system, which steered pupils and students to learn very well, sometimes, under threat of punishments, but not to create something and to take autonomous decisions regardlessly of formal instructions and

⁷³ "...Singapore's income distribution appears to be broadly similar to those in the United States and the United Kingdom." [Low L., Ngiam Tee Liang, 1999: 239-240].

assignments. Briefly speaking, it was the system with an emphasis on learning instead of studying.

By the way, only few economists, who tried to understand the sources and roots of the Asian financial crisis conceived the non-purely economic foundation of this economic phenomenon. K.S. Jomo has been one of them, looking beyond the external, superficial movements of financial flows, restate market, and banking loans the 'tigers' could not pay out because of their export expansion's slowdown. Drawing attention to the arisen difficulties the 'tigers' met in the process of their export expansion, Jomo wrote: "The problem was exacerbated by the failure to 'progress' more rapidly to higher value-added production, mainly due to inadequate or misallocated public investments in education and training as well as limited indigenous internationally competitive industrial capabilities." [*Jomo K.S.*, 2001a: 5].

Nevertheless, the problem of scientific-technological capacities and, thereby that of the NICs' competitiveness can be reduced to neither a shortage of R&D financing, nor a deficiency of the qualified specialists, nor a specific governance culture. The real problem the Asian NICs have faced in the 1990s is regardless to the formal indicators of R&D, education system and technological innovations; it lies much more profoundly than it has been treated in most studies. It concerns the social-cultural dimension of the E/SEA societies and consists in incompatibility of many traditions, which have had a great significance at the stage of industrialisation, with an expansion of creative activity that becomes of extending importance in the conditions of post-industrial (post-capitalist) world. [*Inozemtsev V.L.*, 1998: 141-143, 147 et ff.]. Adherence of the East Asian people to the principles of community's entirities and paternalism does not admit whatsoever 'expression of individuality' and 'capability to subvert an established order', which are essential for creative

breakthroughs. (Some researchers write about 'cognitive conservatism', "a constellation of attributes, which leads the person to adopt a passive, uncritical and uncreative orientation to learning and to hold fatalistic, superstitious and stereotypical beliefs; as well as to be authoritarian, dogmatic and conformist." [Ng Aik Kwang, 2001: 65].) The lack of "individually-oriented achievement motivation" [*ibid.*: 113] and the fear to destroy the collective harmony play a very important role in the emergence of the paradoxical situation, when obvious, even outstanding achievements of students from the East Asian countries in sciences or mathematics (see above) do not succeed in the respective results in the scientific-technological innovations area.

The weakness of the innovative, technological potential of both generations of the East Asian NICs predetermined an inevitable emergence of concrete economic difficulties. The rise of these difficulties was aggravated by definite economic policies decisions, mostly taken still in the 1980s, during another world situation. In particular, a long time before the crisis, almost all NICs currencies were pegged to the US dollar while the latter was gradually devaluing in relation to the Japanese yen from the late-1980s to the mid-1990s. It appreciated the East Asian currencies, mainly against the yen, and, respectively, affected E/SEA competitiveness. (See in details: [Jomo K.S., 2001a: 3-7]).

Meanwhile, simultaneously, all 'tigers' without exclusion had been involved into acute competition with China, Vietnam, and India, on the one hand, as well as among themselves, on the other hand.⁷⁴

⁷⁴ Resolving the internal social-economic problems, such as over-population, unemployment, interregional disparities, and so on, the Chinese leadership favoured a development of the so-called countryside industry oriented towards the internal as well as external markets. Evidently, it strengthened competition among the region's countries and, ultimately, depreciated the efforts of 'tigers' to save their positions at the world market conquered with difficulty only ten-fifteen years ago. (See in details: [Lin J. Yifu, Yao Yang, 2001: 143-195, esp.: 143-149].)

Consequently, the relative surplus of goods exported from the NICs to the world markets emerged. However, this surplus arose in conditions of shortage of the corresponding scientific-technological capacities, which would be able to maintain the 'tigers' export expansion at previous rates. [Guiguet P., Simon J.-Ch., 1999: 364-373]. In its turn, intensification of competition at the world market did not deliver the 'tigers' from the tight dependency on supply of new technologies and high-tech components for their manufacturing goods destined for exportation. For example, in the mid-1990s, Japanese high-technology parts and components reached 20-30 per cent of the total value of Korean automobiles, 35-45 per cent – of Korean machine tools, 60 per cent – of Korean computers, 65 per cent – of Korean printers, 85 – of TVsets. [Burkett P., Hart-Landsberg M., 2000: 161 with reference to: Hatch W., Yamamura K., 1996: 179]. Hence, in the mid-1990s the export expansion of the E/SEA NICs had been combining with a deterioration of their external trade's conditions. The countries, which were in 1997 the most crisis-affected ones, Korea, Malaysia, and Thailand, in 1994-1996 suffered a deficit of their trade balance; the latter reached, in particular, 20.6 billion US dollars in Korea and 16.7 billion – in Thailand. (Counted on: [ADB, 2000b: 35-36 (tables 27-28)].) The trade deficit had been covered due to an inflow of loans and 'hot capitals', what increased the external debt of the called countries.

Moreover, the supply of some crucial, essential components of high-tech goods (computers, optical equipment, and so on) manufactured at the NICs' enterprises, was controlled and regulated by producers in Japan and the Western countries because the technological capacities in the NICs did not enable to produce these. This circumstance increased the vulnerability to decisions and conditions that were out of control of the NICs' business and political elite. In addition, as practice demonstrated, neither the

developmental states nor the export-oriented big companies in the region achieved high returns when they were exporting goods manufactured from imported parts and components. (As Laurence J. Lau affirmed, analysing the transfer of new technologies from highly developed to developing countries, in most cases the so-called 'innovative rents' have been appropriated by producers and distributors of these technologies and respective equipment, while the importing developing countries get little or nothing of these rents. It diminishes or, at least, does not increase the indicators of their GDP, while a volume of western countries' GDP grows due to advantageous exports of innovations. [*Lau L.J.*, 1998: 54-55].) Thus, manufacturing and subsequent exportation of new, technologically complicate goods from the E/SEA NICs experienced a full operation of the well-known law of diminishing returns. While the 'tigers' went up on the technological stair, the effectiveness of their exports declined. Furthermore, what concerns the second-tier NICs, Indonesia, Malaysia, and Thailand, they were actually doomed to suffer all consequences of the diminishing effectiveness of their exports being restricted in the capability to manufacture goods with an ever-increasing volume of value added. [*Rasiah R.*, 2003: 60-63]. In essence, the E/SEA NICs confronted approximately the same tendency at the world market, which painfully affected Latin American countries in the 1980s when the fast progress in microelectronics depreciated their exports. In the given case, difficulties had risen fifteen-seventeen years later but it did not revoke their universal character.

Because of weak R&D base, poor scientific-technological capacities and inadequate human resources development as well, the E/SEA NICs began to be experiencing a declining competitiveness still in the first half of the 1990s. [*Bagchi A.K.*, 1998: 1030-1031; *Smith H.*, 1999: 68-70]. A slowdown of the

'tigers' export expansion to the western and Japanese markets became an evident fact to an extending degree. This fact is proven by data presented in the following table (10.2).

Table 10.2. The share of various groups of the OECD countries in exports from the East/Southeast Asian NICs (as percentage of the total exports from NICs)

Importing countries	Y e a r s	Exports from:		
		the first-tier NICs	the second-tier NICs a)	all NICs
Japan	1990	12,65	24,51	16,06
	1994	10,13	17,60	12,62
North America (US and Canada)	1990	30,63	20,32	27,67
	1994	23,93	22,07	23,31
West Europe b)	1990	18,03	17,31	17,82
	1994	13,93	15,69	14,52
The total on three centres of the OECD	1990	61,31	62,14	61,55
	1994	47,99	55,36	50,45

a) – Including the Philippines

b) – Since 1991, including the former GDR

Counted on: *UNCTAD*, 1996: 89 (table 25).

As we see, the share of highly developed countries in the total exports from the Asian NICs had apparently shrunk over the first half of the 1990s. The negative tendencies continued in 1995-1996 [*Chandrasekhar C.P., Ghosh J.*, 2001: 75-77] when the first signs of the global over-production of goods that were manufactured in the region appeared as an evident fact. Moreover, in 1996 the OECD developed countries' imports from 'tigers' had increased by 6.3 per cent only while in 1994 this growth was equal to 10.8 per cent. The growth of Japanese imports from the same countries slowed from

13.6 per cent in 1994 to 3.6 per cent in 1996. [OECD, 1997: A43]. Actually, the NICs had come not only to a threshold of the effective demand for their goods maintained by the real purchasing power of buyers in the West, Japan or anywhere else. They had reached an absolute limit of needs in their goods among customers in the western countries. Thereby, 'tigers' had found themselves in a situation which Manuel Castells and Laura d'Andrea Tyson foresaw already in 1988, almost ten years before the region's debacle. [Castells M., d'Andrea Tyson L., 1988: 88-90].

The slowdown of the Asian NICs export expansion and the fall of their competitiveness were accompanied by the gradual but obviously premature (and 'non-prepared') liberalisation of their internal markets. For instance, in 1993, the Korean government deprived the Economic Planning Board, the main planning agency in the country, of some of its essential functions and obligations, whereas the control of flows of foreign capitals and private loans was relaxed. These decisions excited liberal economists to insist on the further liberalisation of the economy, the evident negative consequences of such policy in the former USSR and Latin American countries notwithstanding. Nevertheless, the liberalisation, too, which some 'tigers' governments approached in the 1990s, actually did not facilitate the resolving of the problems conditioned by the developmental states' previous policies. It had not, as a rule, the adequate internal background. Being initiated in all NICs, though to different degree in each country, sometimes under pressure of the international organisations and the western partners [Stiglitz J., 2000], partly caused by the proper ambitions of the local governments, the economic liberalisation in E/SEA became resembling, so, in some respects, the one in Russia and the Latin American countries. Meaningfully, the Asian NICs had not sufficient internal capabilities for a stronger resilience of their economies to

resist the financial-economic 'tsunami' without devastating suffering because the necessary institutions able to regulate the liberalised economy were not fully implemented. Consequently, the governance of these economies had been declining. For example, the liberalisation in Korea and Malaysia weakened the bureaucratic control over chaebols and rent-seekers of various kinds, but did not succeed in the better technological upgrading of industry. On the contrary, the premature liberalisation opened the doors for financial and equity market speculators interested in the non-controlled inflow of 'hot', short-term capitals, and tempted many private firms to borrow liquid resources from abroad. Indeed, companies in Korea, Malaysia, or Thailand did not hesitate to attract loans aspiring for the continuation of uninterrupted growth. However, they did not foresee that a situation of over-production had already emerged, originally, of course, in hidden forms.⁷⁵ [*Bagchi A.*, 2002: 212-215; *Chin Kok Fay, Nordhaug K.*, 2002: 80, 82 et ff., esp.: 88-92, 94-97; *Nordhaug K.*, 2002: 11-13; *Wade R.*, 1998: 361-364]. The availability of loans as a result of the relaxed control over banks and financial assets provoked a boom at the local real estate and stock markets – the rise of the so-called 'bubble economy'. In this respect, the situation in the NICs looked similar to that in Japan some years earlier. Meanwhile, the prospects and opportunities to control these dangerous tendencies appeared as somewhat foggy and uncertain.

Evidently, the growth of the estate, loans and bond bubble could not last without end. Soon or later, it should burst under the impact of the turbulence from in- or outside of the region.

By the way, the influence from outside neither played an insignificant role in the Asian crisis. The NICs governments, pegging

⁷⁵ The recession and stagnation of the Japanese economy since 1991 contributed, somewhat, to development of the pre-crisis situation in the Asian NICs. Japanese banks, over-loaded by bad debts at home, lent money to Southeast Asia, attempting, thereby, to re-charge their problems to the NICs.

their currencies to the US dollar, experienced a strong pressure from Uncle Sam performed by the 'three heads' of the same 'green dragon'.⁷⁶ These three heads were, respectively, the US government, private 'investors' (=speculators) from Wall Street, and the IMF in full complement with other international organisations, such as the OECD, WTO and the World Bank, in which the US played a major role. [*Nordhaug K.*, 2002: 13-16; *Wade R., Venoroso F.*, 1998a: 9-12, 18-21; *Wade R., Venoroso F.*, 1998b: 16-26, 31-33, 40-42; *Wade R.*, 2001: 195-226]. The United States needed attracting liquid resources from the entire world for maintenance of their hegemony (that cannot be explained only by the existence of the gigantic belligerent machine!), including their financial strength of the unique nation, whose national currency accomplished, at the same time, the role of the global, world-wide currency. In this condition, the slogan of financial liberalisation served and serves now to American interests. The proclaimed financial liberalisation has been a very important instrument to attract additional resources solving the internal and the US tasks, in particular, for the permanent structural changes that have been accompanied by the technological upgrading of the economy. Hence, it was not occasional that three-four years before the crises hit the 'tigers', the US government, directly or through the international institutions like IMF, convinced (speaking more exactly, pressured) the Korean authorities to initiate economic, mainly financial, liberalisation. It should have to become a 'tool' to flow out resources from the Korean

⁷⁶ Here, 'green dragon' means the US currency banknotes of green colour. In addition, the term 'green dragon' has also been used in the Russian language to signify ironically an alcohol and alcoholic beverages. At last, a dragon with three heads is the Russian folkloric personage named as Zmey Gorynych that imposes, by itself, forces of evil. As a rule, if someone, strong and brave, cuts one of these heads by his sword in the battle with this imposition of dark forces, three new heads rise instead of cut one.

and other 'tigers' economies, re-orienting them towards the internal US market.

In addition, the US could not admit the rise of new international financial institutions that should become an autonomous counterpart of the IMF in East Asia, out of the American control. Meanwhile, whispers concerning an organisation of an Asian Monetary Fund, without or, at least, with minimal participation of the US, had frequently been heard, and a preparatory work aimed at transforming of these talks into practical outcomes should have to start at any moment. Certainly, the US ruling circles treated even a possibility of such attempts as a threat to their financial dominance, therefore, their purpose was to prevent 'the Asian jeopardy'. From the US hegemony point of view, it should be necessary to neutralise and oppress all intentions that could undermine the status quo, even at the cost of destroying well-being of the entire region. At the same time, since after the end of Cold War and the collapse of the Soviet Union neither the US nor the West as a whole needed maintaining 'a vitrine of good capitalism' in East Asia, Uncle Sam decided to have a profit on occasion, reminding the business and political elites of E/SEA, who had been their 'benefactor', which blessed them for a wonderful turning from semi-alive kittens into strong tigers. In other words, at the appropriate moment, Uncle Sam decided to play the role of the magician, which had previously demonstrated how it was possible to make tigers from kittens, but then to have an opportunity for a 'return operation'. [Bullard N., Bello W., Malhorta K., 1998:101-102, 107-109]. Hence, when Mahathir bin Mohamad explained the financial storm in the region referring to George Soros and other financial 'geniuses', simultaneously accusing the IMF in the indulgence for speculators, he exaggerated reality not too much. [Mahathir bin Mohamad, 1998a, #24-33, 39-40; 1998b, #6]. Thus, if the crisis has been assessed as a result of the spontaneous

coincidence of various conditions and circumstances, it is worth to underline that this spontaneity was sustained due to the artificial 'dysfunction' of the regisseur for whom such a spontaneity was an essential element of the set up performance.

Instead, as the Soviet/Russian, or Mexican, or Brazilian experience demonstrated, 'the enemy's snares' could be effective only if real internal weaknesses and, consequently, a lot of vulnerabilities of economy or country as a whole already existed. The matter is that the crisis in Asia could not be reduced to the activity of the financial speculators and institutions under the control of 'the three heads dragon'. Regardless of the attacks of the financial speculators, the behaviour of the US in relation to their former satellites in the struggle against Communism in the region; institutional 'bottlenecks' in the NICs' economies, the changed role of the social-cultural traditions, and so on; the **main reason** of the East Asian miracle's vulnerability was in the process of successful, fascinating development itself. Actually, from the start of fast modernisation in the region, the East Asian miracle comprised the 'seeds of debacle' – as well as the collapse of the USSR and the decline of import substitution industrialisation in Latin America were predetermined, to a big degree (but not absolutely!), by their undeniable achievements.

Really, the Asian financial crisis of 1997-1998 might be treated as the regional crisis of over-production, which was primarily expressed in a series of troubles and turbulence of the financial sphere. At the same time, it could be assessed as the structural crisis provoked by discordancy of the NICs' structure of the export-oriented industrial production to the changed global demand as well as by the internal structural imbalances and macroeconomic disequilibrium.

Perhaps, someone, who sincerely wishes 'good health' to 'tigers' can console himself or herself referring to the fact that the crisis of

1997-1998 was not the first the E/SEA NICs survived, so they were capable to overcome its devastating consequences, and their triumphant movement towards 'new frontiers' should continue.

Indeed, some of the Asian NICs experienced either a slowdown of growth or even recession in the past, as, for example, Taiwan province in 1973-1975, Korea in 1980 or Singapore in the first half of the 1980s. However, all those crises differed from the crisis of 1997-1998 because they could be and were really overcome in a framework of an industrial model, without the drastic modification of the entire social-economic system. Merely partial improvements had been required and were sufficient to resolve the arisen problem.

However, in the second half of the 1990s and onward, beyond all mentioned as well as yet not mentioned discordancies and imbalances, which made up 'the bursting matter' that detonated after the Thai baht devaluation in July 1997, it should be necessary to draw attention to the following circumstance of primary importance. The crisis of 1997-1998, in contrast to all preceding troubles in the region, was the first that occurred in the conditions of transition towards *post-industrial* (and, in the prospect, *post-capitalist*), knowledge- and culture-based society. It expressed an objective historical limit to catching up industrial development, when the leading countries have been moving towards a qualitatively new state. In addition, it should be noted that the mentioned limit is conditioned not only by post-industrial trends in the West that depreciate the efforts of 'the rest' to follow on the western way, but also by the global shortage of resources for industrialisation in such scale that the West acquired. In particular, it meant that further use of air-polluting resources and fuel-intensive technologies might turn from a comparative advantage, as it was in the past, into a serious problem jeopardising to both environment and economy. Thereby, it could become too expensive and costly for the latter to support the

industrial structures with all their social-economic and institutional attributes.⁷⁷

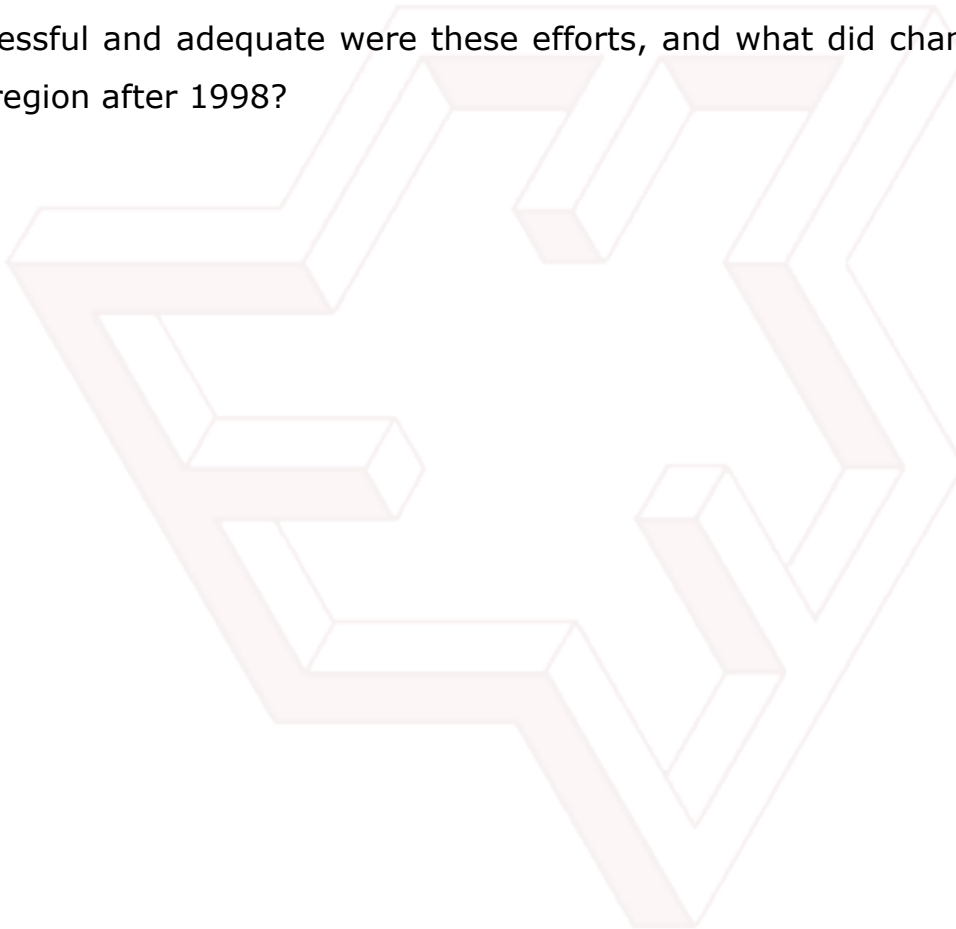
The global transition towards post-industrial society has depreciated efforts of the developmental states and peoples of the region to shorten inasmuch as possible the social-historical distance between the former periphery of the world system and the West. Simultaneously, the crisis signified a decline of the functional, managerial capitalism (within boundaries of the national state), which was a foundation of the catching up development strategy in the XX Century. It manifested that the great historical epoch of managerial capitalism is over. In this respect, both the Asian crisis of 1997-1998 and the collapse of the Soviet Union in 1991 should be treated as phenomena of the same social-historical nature, although it is difficult to compare them with each other by the scale of the social turbulences and by the consequences.

At last, the crisis of 1997-1998 signified also the limits of 'conservative modernisation', which reconciled the local traditions and the principles of modernity, adjusting them to each other. At the start of industrial modernisation, such a symbiosis of western and Asian values facilitated the process of transformation, because it attributed stability to society, allowing to transplant new values, attitudes and customs in 'softened forms', comprehensible to the people. However, gradually, while industrial modernisation moved on, old values and traditions began to impede the further development of the region. Traditions and social-cultural foundations of the Buddhist-Confucian universe, which, in contrast to Max Weber's conception, successfully 'worked' for modernisation of the region, became incompatible with imperatives of searching for responses to the new challenges. [Lee Ho-Chul, McNulty M.P., 2003:

⁷⁷ The main indicators of energy efficiency and emissions had been worsened in the NICs over the period of miracle, from 1980 to 1999. [World Bank, 2003: 148-150].

38-41]. Hence, the Asian crisis of 1997-1998 (as well as Japanese stagnation since the beginning of the 1990s) had not only an 'economic dimension'. It had also the so-called 'civilisation aspect', because this crisis revealed that many obstacles to development in the region lie in a sphere of social-cultural traditions.

Since the crisis had two dimensions, properly economic and social-cultural, as well, a cure of 'tigers' after their disease presupposed applying unusual efforts in both spheres. How successful and adequate were these efforts, and what did change in the region after 1998?





11. After the Crisis: What Did Happen and What Was Done to Prevent New Storms?

From the social-economic point of view, there is only one way to avoid new troubles resembling those which devastated the region in 1997-1998: to alleviate the imbalances and to eliminate the institutional 'bottlenecks' that burst the Asian NICs almost ten years ago. Respectively, an analysis of the post-crisis development of the Asian NICs should be focused on the main issue: whether causes of the crisis were really abolished or not.

Here, I do not consider such important reforms as the restructuring of the financial sector, the renovation of the banking system, the acquisition of more transparency and accountability initiated after the crisis by the local governments, whether under the pressure of international organisations or voluntarily. There are a lot of publications dealing with these issues, so I do not think it is necessary to analyse them again in details.⁷⁸

Considering the post-crisis reforms in E/SEA, it is worth to remember that there is the jeopardy of a new illusion arising from the past experience – an illusion of the possibility to resolve the existing problems following the 'approved way', which led to success in the XX Century, but might not be appropriate in the new conditions. This illusion could be maintained, due to some positive changes, rather spontaneous than consciously supported that occurred after the crisis apparently, as outcomes of the governments' policies. In the course of post-crisis therapy, the developmental states in the region used a broad set of economic and administrative instruments, which enable seemingly alleviating the

⁷⁸ See, in particular: *Yusuf Sh., Evenett S.J., 2002: 74-88.*

sharpness of the problems. However, there are some solid foundations to suppose that taken and realised decisions do not deal with the deep causes of the crisis. Verifying these suppositions, it seems relevant to subdivide the instruments and policies used to cure 'tigers' into two groups.

One of them has been offered by the IMF and admirers of the monetarist doctrine while another can be called as 'the statist', which is based upon the non-revised principles and attitudes of the developmental state. The both approaches, being in hard opposition to each other notwithstanding, correspond to resolution of some essential problems that were denuded during the crisis and can lead to acquiring positive results. This circumstance can strengthen a belief that a chosen way of cure is right but in essence it may not be adequate to the main task, which has to be solved – to abolish causes of the crisis.

The fire band of the IMF was the first, who had come to rescue 'tigers' from trap using a standard complement of the remedies for financial wizardry. After the catastrophic outflow of capitals from the Asian stock markets and banks, the IMF proposed a financial aid to 'tigers' to stabilise 'the macroeconomic equilibrium'. Of course, this aid was supplied not as itself but accordingly to definite conditions and principles.

As a whole, the recommendations the IMF performed as 'a truth in the ultimate instance' for 'tigers' did not essentially differ from those proposed to Russia or Argentina and other Latin American countries at the beginning of the 1990s. They had not been extending beyond a framework of the so-called Washington consensus and were aimed at broadening 'the market forces' sphere. These purely technocratic approaches founded, in the theoretical respect, on an extreme monetary fetishism required diminishing role of the state with subsequent disappearance of the developmental

state agencies at all. For example, in such different cases as Thailand and Korea, approaches of the IMF to recuperation of the both 'injured tigers' comprised differences, which were of small importance, essentially lesser ones than differences between the two economies have really been. Neglects with regards to real specificity of each economy could become particularly evident scrutinising the memorandums arranged by the IMF with the monetary authorities of both countries.

In one of the first documents that concerned the Thai financial and banking system, the following 'simple measures' were proclaimed as the best remedy to restore the crisis-affected economy:

"At the core of the program is a comprehensive restructuring of the financial sector and a strengthening of the fiscal position. Other policies to support external current account adjustment will also be needed, including monetary and wage restraint, and structural reforms, notably privatization and civil service reform." [IMF, 1997a].

In addition, the memorandum proposed some measures that should be realised in the medium-term perspective:

"The medium-term framework also includes major initiatives involving civil service reform, public enterprise restructuring, and privatization that will increase efficiency, keep public enterprises in broad financial balance, improve corporate governance, and attract more nondebt-creating capital inflows. Time-bound programs in the following areas will be developed during the first year of the program: (i) comprehensive civil service reform; (ii) increased private sector participation in a number of transportation and power projects under build-operate-transfer arrangements; and (iii) corporatization and privatization programs in the energy, transportation, utility, and communications sectors. In addition, we

expect, during 1997/98, to make considerable headway in privatizing the national airline, and expanding the role of the private sector in the electricity, telecommunications, and gas sectors." [IMF, 1997a].

Despite the Korean economy was much more diversified, complicate, and, at the same time, more monopolised than the Thai one, the IMF insisted on the similar recommendations to recuperate the Korean tiger's health. The 'Washington fire band' treated the financial stabilisation and constraint of demand for money as the cornerstones of all construction assigned to sane the country's economy, even at cost of the economic growth:

"Financial restructuring and the sharp slowdown in economic growth are expected to reduce the demand for money." [IMF, 1997b].

This restructuring presupposed a complete rejection of such key instrument of all development policy as direct banking loans for industrial companies aimed at upgrading the national industrial branches:

"Directed lending will be eliminated immediately." (Ibid.) "No government subsidized support or tax privileges will be provided to bail out individual corporations." (Ibid.)

Meanwhile, the Korean authorities were obliged to agree with the intentions of 'investors' inspired by financial alchemists from the IMF to implement control over the most developed sectors of the national economy:

"The government has announced that the ceiling on aggregate foreigners' ownership of listed Korean shares would be increased from 26 percent to 50 percent by end-1997 and to 55 percent by end-1998. The ceiling on individual foreign ownership will be increased from 7 percent to 50 percent by end-1997 (excluding hostile takeovers)." (Ibid.)

Speaking about what had to be done for recovery after the crisis in Asia, Monsieur Michel Camdessus, then Managing director of the IMF, sang the old song about an indispensability of the structural reforms understood accordingly to the Washington consensus principles. He said:

“The policy programs to respond to crisis in Asian countries had to be speedily designed, to put the proper emphasis on the immediacy of macroeconomic adjustment, and to recognize the sheer magnitude of the structural reforms that had to be initiated from the outset.” [*Camdessus M.*, 1998].

However, it would be useless to search in the speeches and lectures delivered by Monsieur Camdessus for something that could concern the real structure of the Asian economies except the economic institutions and governance. For instance, in one of his speeches devoted to an analysis of the Asian crisis, he spoke about

“strengthening structural policies—especially the policies and institutions, such as prudential supervision, needed to underpin a sound financial system. In particular, it is important that fragilities in the financial system are not allowed to become so acute that the authorities are unwilling to use the interest rate instrument in times of international financial instability.” [*Camdessus M.*, 1997].

Really, attempts to follow recommendations of the IMF did not lead the Korean economy to expected recovery. They did not allow reaching the goals declared in the IMF – Korean government memorandums. Moreover, the Korean authorities were obliged, in contrast to the recommended measures, to increase the budget expenditures for social security and welfare because the unemployment rate augmented as direct consequence of the production system’s structural adjustment to requirements of the IMF. At the same time, neither the Korean nor any other government in the Asian NICs, victims of the financial earthquake, could cut

these expenditures and labourers' wages to the same degree as the Russian 'reformers' did it in the early-1990s. Despite a long experience of living under the authoritarian regime, the Korean workers were not as passive as the Russian or Ukrainian ones, and they would hardly tolerate such 'regime of austerity' as that the Russian people suffered in the 1990s.

Contesting the IMF advices, the Prime Minister of Malaysia Mahathir bin Mohamad, being experienced by all negative consequences of the attempts to realise them, rejected the suspicious remedies assigned by the Washington magicians. He dismissed his deputy Anwar Ibrahim (which was later arrested and confined in prison being accused in corruption and Sodomite sin) and returned to the state regulation, because, in his opinion, "[T]he free market system has failed and failed disastrously". [*Wade R.*, 1998: 368]. Mahathir decided to fix the exchange rate of ringgit to other currencies and restricted an amount of currency in cash that could be transferred over the state boundaries in both directions. He did not refuse a practice of the state investment into the national projects of high priority (such, for example, as MSC – multi-media super-corridor, the favourite child of his policy, the Malaysian analogue of the Silicon Valley) and supported the internal effective demand correspondingly to the Keynesian principles.

It would be worth to underline that these and some other, apparently prodigal measures were accepted, the proclaimed limitation of financial expenses notwithstanding. By the way, what should have to be focused reviewing the after crisis policy of Mahathir, concerned the public expenditures for scientific research and education. They were augmented even in the conditions of the total scarcity of capitals and loans available for the state.

It is hardly relevant here to mention all other measures of the Malaysian government, which were aimed at increase of the national

economy efficiency and competitiveness. In particular, they presupposed such reforms as gradual (but not shock!) liberalisation and partial privatisation of the state-owned enterprises, restructuring of the banking system that should be delivered from ineffective banks with bad debts, de-bureaucratisation of the Malaysian developmental state, and so on, coinciding, but only in some respects, with recommendations of the IMF.⁷⁹ What has been essentially important concerns the results acquired due to a realisation of chosen strategy of the post-crisis reforms.

The post-crisis growth in the NICs of E/SEA resumed already in the beginning of 1999. The only country among those under our consideration, which did not demonstrate a visible improvement, was Indonesia – the most crisis-affected country that suffered a tremendous fall of GDP by 13 per cent in the preceding year. Her GDP had grown only by 0.8 per cent in 1999. Private capital flows began to return to Indonesia, Korea, Malaysia, the Philippines (the country that is out of analysis here), and Thailand, whence they were gone in 1997-1998 to the biggest degree. The total amount of net inflows reached 5.1 billion US dollars in 1999 by sharp contrast to 38.6 billion outflows only in 1998. In the first-tier NICs GDP growth was 7.0 per cent in 1999, in oppose to 1.9 per cent in the previous year, though the growth rates varied among countries of this group. For example, in Korea it reached 10.7 per cent, after declining by 6.7 per cent in 1998, while in Hong Kong, SAR of PRC, it was moderate – 2.9 per cent. [ADB, 2000a: 9-11].⁸⁰ In the second-tier NICs as a whole, a situation was improving, too, although not to

⁷⁹ For instance, in August 1999 the government of the country announced plans to split the national financial system into six financial groups, each comprising a commercial bank, finance company, and merchant bank, instead of 21 commercial banks, 25 finance companies, and 11 merchant banks. [ADB, 1999a: 28].

⁸⁰ According to data performed by ADB later, in 1999 the Korean GDP has grown by 9.5 per cent, in Hong Kong the growth rate was 3.4 per cent in the same year. [ADB, 2004: 70].

such degree as in the first-tier 'tigers' group. In 1999, GDP growth rate in the subregion (including the Philippines) was 3.2 per cent, in contrast to fall by 7.5 per cent in 1998. However, the growth rates widely varied among the group's countries, too – from the mentioned above turtle pace growth in Indonesia to 5.4 per cent in Malaysia. [*Ibid.*: 14-15, 90, 99].

This recovery was partly acquired due to increase of the internal consumption demand that took place after the crisis. Nevertheless, the main engine of the resumed growth, like in the course of all period of the region's fast industrialisation before the crisis, had been the export of manufactured goods. In particular, despite the crisis, neither Malaysia nor Thailand decelerated their export expansion that was essentially significant for their recovery. In 1998, the merchandise exports from Malaysia and Thailand increased by 29.7 and 24.4 per cent, respectively, while the other 'tigers' experienced not only a slowdown of the growth or recession but even a fall of the exports. However, they restored their export capacities already in 1999, together with recovery of their economy as a whole. [*ADB*, 2004: 79].

Did the East/Southeast Asian NICs reach the pre-crisis economic dynamics, which in the past allowed speaking about the East Asian 'miracle', after the crisis? No, they did not. If we would compare the growth rates of the region's countries over the five pre-crisis years and the post-crisis ones, we could conclude that the regional economic dynamics was decelerating, and the recovery after financial storms did not mean 'tigers' capability to move forward at the previous pace. In other words, the post-crisis growth rates of the NICs' economies were lower than the pre-crisis ones (see table 11.1).

Table 11.1. The annual growth rates of GDP and merchandise exports (f.o.b.) of the E/SEA NICs, per cents, over five years before (A – 1993-1997, 1992=1.0) and after (B – 1999-2003, 1998=1.0) the crisis.

Countries	Growth of GDP		Growth of exports		Discrepancy of the GDP and exports rates of growth a)	
	A	B	A	B	A	B
Hong Kong	5.0	3.8	9.5	5.3	-0.04196	-0.01435
Korea	6.9	6.3	12.2	7.9	-0.04839	-0.01494
Singapore	9.5	3.5	12.4	6.4	-0.02614	-0.02763
Taiwan, prov. of PRC	6.3	3.1	11.2	5.9	-0.04507	-0.02680
Indonesia	7.1	3.4	9.5	4.7	-0.02216	-0.01204
Malaysia	8.7	4.8	16.4	6.8	-0.06844	-0.01890
Thailand	6.2	4.7	17.0	13.0	-0.09685	-0.07629

a) – Counted as a difference between natural logarithms of the GDP and exports growth rates.

Counted on: *ADB*, 1999b: 104-105, 126-129, 154-155, 158-159, 182-183, 282-283, 312-313, 332-333; *ADB*, 2004a: 74 (data on Indonesia); *ADB*, 2004b: 70, 79-80.

Moreover, in 2001 the recession or, in the best case, slowdown affected again, although to various degrees, all 'tigers'. In Taiwan province and Singapore GDP fell by 2.2 and 1.9 per cent, respectively, Malaysia and Hong Kong demonstrated almost zero growth (their GDP had grown by 0.3 and 0.5 per cent, respectively), the Thai economic output increased by 2.1 per cent, the Indonesian one – by 3.5 per cent. Only Korea augmented her GDP by 3.8 per cent – the best growth indicator among all 'tigers'. At the same time, the industrial output contracted by 3.7 per cent in Hong Kong, by

3.8 per cent – in Malaysia, by 6.0 per cent – in Taiwan province, and by 9.1 per cent – in Singapore. [ADB, 2004b: 70-71]. Did such fall mean that the Asian NICs entered the period of economic instability? The negative results in 2001 did not allow speaking about the long-term instability in the East/Southeast Asian NICs; furthermore, over the next years, their economies grew more dynamically. Nonetheless, the rates of growth have been lower than in the course of the thirty years glory industrialisation, and cannot be compared to genuinely 'tigers' jumps of the 1980s – the first half of the 1990s.

Meanwhile, what is now essential for the E/SEA NICs' development is not the rate of quantitative economic growth as itself but their vulnerability to financial earthquakes and other fluctuations of the global conjuncture. Actually, 'tigers' should have to acquire stability through diminishing their dependency on the external demand for their manufactured goods and to improve the capability for adaptation to the post-industrial challenges as well. In particular, they should change the internal structure of their entire production system (together with its financial infrastructure, approaches to governance at both micro- and macroeconomic levels, and scientific-technological capacities) that corresponded to the stage of catching up industrialisation but could not be adjusted to the conditions of globalisation.

When many specialists discussed a situation in the region after the crisis, they spoke about necessity for the NICs to increase the domestic consumer demand. In principle, such an advice is relevant but a reality that has been appearing on surface of the social-economic phenomena is not as simple as experts desire to see. Since 1990 to the beginning of the recent decade (2001), the ratio of exports to GDP increased in all countries that are under our scrutiny, except Singapore where it fell by 10 percent points, from 184 to 174. Among the 'tigers', this ratio was the lowest in Indonesia where

it had grown from 25 per cent in 1990 to 41 per cent in 2001, and was the highest in Singapore. After the crisis, this indicator, mainly due to a devaluation of the local currencies, had risen up to 43 per cent in Korea, to 66 per cent – in Thailand, to 116 per cent – in Malaysia, and to 144 per cent – in Hong Kong (all data are for 2001). It exceeded the similar indicators in Latin America where even in such country as Mexico, deeply integrated into NAFTA, this ratio remained within the limit of 30 per cent. [*World Bank*, 2003: 218-220].

If we will re-calculate the mentioned indicators according to the ratio of GDP in the US dollars measured by PPP, a situation will not be performing as essentially alternate. The only 'tiger', which has demonstrated a decrease of the given ratio, is Singapore. In all other NICs it has increased, although to various degrees (see table 11.2).

Table 11.2. Ratio of the total exports (in the US dollars at current prices) to GDP measured in the US dollars by respective PPP (as percentage) in the East/Southeast Asian NICs, 1990-2003

Countries	1990	2003
Hong Kong	82.3	126.1
Korea	17.4	21.5
Singapore	219.7	138.5
Taiwan, province of PRC	33.4	n. a. a)
Indonesia	5.7	8.3 b)
Malaysia	32.8	48.6
Thailand	9.0	16.5

a) – data are not available

b) – 2002.

Counted on: *ADB*, 2004b (respective country tables); *Maddison A.*, 2001: 298-299; *World Bank*, 2004: 256-257.

The presented data can be interpreted as testimonies to increased vulnerability of the region's economies to the external markets' oscillations. In other words, the pre-crisis tendency that consisted in extending dependency of the 'tigers' on the exportation of manufacturing goods is not radically changed. However, this process has seemingly been decelerating after the crisis. It is approved by comparing two indicators: at first, the growth rate of exports over five years before and after the crisis, and, secondly, the decreased discrepancy of the GDP and exports growth rates (see above table 11.1) although such a decrease does not allow speaking about an alleviating dependency of the region on processes that are out of control of its nations.

Furthermore, in 2003-2004 some of the Asian NICs have demonstrated an acceleration of the export growth. For instance, the rate of this growth in Korea has risen up to 20.9 per cent, continuing to surge in 2004. [ADB, 2004a: 56].

Maintenance of the 'tigers' economies as the export-oriented after the crisis is accompanied by changes of the trade directions. The E/SEA NICs have been re-orienting towards the regional market, mostly to the Chinese mainland [Ng F., Yeats A., 2003: 3, 5-7, 10 et ff.], instead of the initial orientation towards the US, formerly the main benefactor of 'tigers', though this reorientation is the long-term process. (Certainly, it does not mean that the United States have ceased to be important trade partner of the NICs; they remain as important partner but not the first, with exception for Malaysia and Thailand.) Such changes can be seen in table 11.3a that contains data on the exports from 'tigers' to their leading trade partners.

Table 11.3a. Changes of the exports structure of the E/SEA NICs by direction of trade, as percentage of the total exports, 1985-2003**Hong Kong**

Main trade partners	1985	1990	1995	1999	2003
US	30.82	24.12	21.81	23.88	18.67
China, PR	26.03	24.75	33.34	33.37	42.66
Japan	4.24	5.70	6.11	5.42	5.40

Korea

Main trade partners	1985	1990	1995	1999	2003
US	35.62	28.64	18.54	20.61	18.21
China, PR	--	--	6.96	9.53	20.49
Japan	15.01	18.64	12.98	11.04	8.93

Singapore

Main trade partners	1985	1990	1995	1999	2003
US	21.17	21.26	18.26	19.22	14.27
China, PR	1.46	1.51	2.33	3.42	7.03
Japan	9.42	8.75	7.80	7.42	6.73
Malaysia	15.51	13.03	19.18	16.56	15.82
Hong Kong	6.37	6.50	8.57	7.68	10.01

Taiwan, province of China

Main trade partners	1985	1990	1995	1999	2003
US	48.08	32.35	23.65	25.41	17.99
China, PR	--	--	0.34	2.09	14.85
Japan	11.26	12.41	11.78	9.79	8.26
Hong Kong	8.27	12.73	23.38	21.39	19.67

Indonesia

Main trade partners	1985	1990	1995	1999	2003
US	21.73	13.10	13.92	14.20	13.27
Singapore	8.74	7.41	8.29	10.13	8.49
Japan	46.21	42.54	27.05	21.37	21.40
China, PR	0.45	3.25	3.83	4.13	7.43

Malaysia

Main trade partners	1985	1990	1995	1999	2003
US	12.79	16.95	20.77	21.92	20.18
Japan	24.56	15.32	12.48	11.64	9.98
China, PR	1.04	2.10	2.56	2.74	10.78
Singapore	19.41	22.95	20.29	16.53	16.60
Hong Kong	1.34	3.17	5.35	4.46	4.42

Thailand

Main trade partners	1985	1990	1995	1999	2003
US	19.68	22.71	17.62	21.66	17.00
Japan	13.35	17.20	16.57	14.12	14.20
China, PR	3.80	1.17	2.87	3.18	7.09
Hong Kong	4.04	4.50	5.11	5.09	5.38
Malaysia	4.98	2.49	2.72	3.63	4.83
Singapore	7.95	7.35	13.84	8.67	7.30

Counted on: *ADB, 2004b*, respective country tables.

The NICs, being subdivided into 'the generation groups', changed their export structure by the main trade partners in the following way (see table 11.3b).

Table 11.3b. Changes of the exports structure of the E/SEA NICs by main direction of trade, as percentage of the total exports from each group of these countries and as a whole, 1985-2003

The first-tier NICs (Hong Kong, Korea, Singapore, and Taiwan, province of China)

<u>Main trade partners</u>	1985	1990	1995	1999	2003
US	34.82	26.75	20.61	22.40	17.51
Japan	10.03	11.22	9.35	8.25	7.22
China, PR	7.18 a)	7.83	13.12	14.11	23.64
Germany	3.09	5.01	3.98	3.31	3.07

a) – mainly the exports from Hong Kong to China, PR.

The second-tier NICs (Indonesia, Malaysia, Thailand)

<u>Main trade partners</u>	1985	1990	1995	1999	2003
US	18.02	17.39	17.98	19.88	17.42
Japan	32.41	24.82	17.56	14.86	14.23
China, PR	1.26	2.20	2.99	3.23	8.80
Germany	2.25	3.96	3.05	2.46	2.62

All NICs of East/Southeast Asia (except the Philippines)

<u>Main trade partners</u>	1985	1990	1995	1999	2003
US	30.36	24.65	19.95	21.75	17.48
Japan	15.96	14.27	11.39	9.95	9.16
China, PR	5.61	6.57	10.61	11.31	19.54
Germany	2.87	4.77	3.75	3.09	2.94

Counted on: ADB, 2004b (respective country tables).

Nevertheless, a re-orientation of the regional trade towards China as an alternative to tight linkage of the NICs economies to the US and Japan will hardly deliver 'tigers' from a hypertrophied dependency on the external markets. The unchanged, in its essence,

pegging of the local currencies (and the Chinese yuan as well) to the US dollar, which becomes one of the unstable currencies in the world, presupposedly will not be favourable to strengthening the E/SEA NICs' positions in the world economy. In oppose, it will weaken their immunity to the possible global economic turmoils. Since the prospects of China does not look as the cloudless and bright future because, at least, of widening interregional disparities, acute ecological problems and possibility of abrupt economic crisis, a re-orientation of 'tigers' towards the Chinese 'dragon' can pose them in a situation when they will be dependent on troubles in the mainland. Certainly, the leaders of China are capable to foresee and prevent the rise of negative tendencies of their country's development – in this respect, they are differing from the former Soviet party's bonzes and the recent Russian rulers as well – but even outstanding politicians may not escape of taking erroneous decisions.

In addition, also one circumstance can impede to resolving problem of the NICs' recovery in the future. This is their specialisation on manufacturing of the electronic equipment designed for exportation. Such a specialisation, comparable with cases of Mexico and Costa Rica, does not allow expecting for high and stable incomes because of the long-term tendency to depreciation of the main components and details due to the fast technological progress in microelectronics and information technologies. For example, "Samsung Electronics suffered a 34% drop in its net profit for the first half of 2001 due to falling semiconductor prices." [Mitton R., 2001]. In the conditions of strong competition in the region, these processes can push out 'tigers' from their accustomed 'caves' into new spheres of activity, probably, more profitable but technologically less complicate, which require neither technical skills nor advanced intellectual human capacities. One of such spheres, which can look

as very profitable, is 'an industry of leisure' [*ibid.*]. Evidently, a similar restructuring, or 'structural adjustment' to the global demand, speaking by words of the IMF, can lead to *simplification* of the entire economy's structure as it has occurred in some cases of Latin American countries and Russia.

Furthermore, a gradual but rapid re-orientation of the NICs exportation to the Chinese mainland market and, respectively, the growth of imports from China, even regardlessly to profitability of one or another kind of business, may substantially impact on structure of their exports and internal production in negative manner. Namely, it can succeed in a lowering technological level of their exports and manufacturing goods. Thereby, they risk following beyond several Latin American and CIS countries where this trend took place in the 1990s-2000s. In particular, Korea, Taiwan province, Thailand and, though to a lesser degree, even Singapore indicate an increase of share of 'non-advanced' products (mineral fuels, ores and metals, chemicals) in their exports to other East Asian countries, whereas respective share of 'advanced' products grew by slowing rate after 1995. [*Ng F., Yeats A., 2003: 34-35*].

At the same time, as the proper experience of 'tigers' manifested over the last thirty years, a *successful* integration into the world system starts at home where real conditions for the technological and economic accomplishments have been created. In the given case, one of the most important among such conditions has to be the structural macroeconomic manoeuvre aimed at increasing the internal consumer demand and the wages share in GDP. Otherwise, the economic growth in the region will be resemble to that in Russia after the 1998 default or some Latin American countries where it has not been accompanied by the standard of life augmenting, at least, for most people.

Several positive changes in this respect have become evident over the last years but they are not yet stable tendencies and have not been spread to all 'tigers' family.

After the crisis, the share of private consumption at count of one of investments in GDP has begun to increase in Hong Kong, Taiwan (where it has become the long-term macroeconomic trend), and South Korea. In the latter case, the share of gross domestic investments in GDP diminished from the Stalinist rate of 35-37 per cent in the end of the 1980s – the beginning of the 1990s to 26.1 per cent in 2002 [ADB, 2003a: 53]. It will hardly succeed in radical and quick changes of the entire labour force's quality but, at least, may facilitate solution of the long-term task to increase private consumption of ordinary people.

However, simultaneously, in Singapore and Malaysia, the rate of private consumption remains almost at the same level as before the crisis. Presupposedly, so high rate does not testify to the macroeconomic structural shifts towards a knowledge-based society. Despite some decrease of the share of gross domestic investments in GDP from 38-43 per cent in 1997 to, respectively, 18-22 per cent in 2004, the share of savings in 2001-2002 was equal to 42-43 per cent in Singapore and 44-45 per cent in Malaysia. [ADB, 2000a: 53, 100; ADB, 2003a: 80, 91; ADB, 2005: 104, 115]. It means that a big amount of resources in both mentioned countries has been diverted from consumption.

Meanwhile, almost in all countries under scrutiny, an increase of the gross domestic investment to GDP ratio appears again, at least, as the medium-term trend after the fall in 2002. For instance, a tendency to its growth is noted in Korea (from 26 per cent upward to 30-31 per cent) and Singapore (from the level of 13.4 per cent in 2003 upward to 21-22 per cent). In Malaysia, this indicator remains

at the level attained after the post-crisis recovery– 21-23 per cent. [ADB, 2004a: 57, 96; ADB, 2005: 77, 104, 115; ADB, 2006: 317].

Moreover, a decrease of the share of investment in GDP after the crisis in a group of NICs as a whole does not signify a respective increase of the consumption level. Since 1998, the latter has grown by some percent points but it can hardly be recognised as sufficient for radical change in the process of labour force's enlarged reproduction. The private consumption, as percentage of GDP, has increased a little in Korea and Taiwan province; it remains approximately at the level of 1990 in Hong Kong and Thailand, while Malaysia indicated a diminishing propensity to consumption. The ratio of private consumption to GDP in Malaysia was equal to 44 per cent in 2002 and 43.3 per cent in 2003; the same indicators in Singapore were 43.0 and 43.1 per cent, respectively. [ADB, 2003b: 105; ADB, 2004b: 73].

As a whole, it is a fact that private consumption in the E/SEA NICs has not been essentially augmented after the crisis, the resumed growth of GDP notwithstanding. At the same time, in 2002-2004 Hong Kong faced difficulties with employment: a number of unemployed people grew till the end of 2003, then it began to fall but slowly. It succeeded in a decrease of monthly wages. However, what is the most important is not diminishing average wage but increasing inequality of households' private consumption. For instance, the median household monthly income fell from 18,000 Hong Kong dollars (around 2,300 US dollars by exchange rate of currencies) in 2001 to 15,500 dollars in 2003 (that has been approximately equivalent to about 2000 US dollars). [ADB, 2004a: 51]. In Korea, despite the growth of GDP, the private consumption contracted by 1.4 per cent in 2003, in Singapore – by 0.5 per cent in 2003. The rate of unemployment in 2001-2003 grew in Taiwan province and Singapore, though it was much lower than in EU

countries, 4.5-5.5 per cent in sharp contrast to 10-13 per cent in the latter case.

One of the most important spheres, in which the crisis affected the general level of people's consumption, had been the labour market where a situation was deteriorating. The most feeling losses in this sphere among the crisis-affected countries were experienced in Indonesia where a bout of inflation in 1998 lessened the real wages by 30-50 per cent in various sectors of the national economy. [*Manning Ch.*, 2000: 14-16]. Nonetheless, deterioration at the labour markets in the Asian NICs, such as grown unemployment and diminished level of wages, were lesser than it could be expected taking into account a size of the production contraction. In some respects, the sufferings of workers were partly compensated due to the system of corporate paternalism and the social assistance programmes (in Korea, for example) as well as the spread of informal, artisanal sector, mainly, in Thailand and Indonesia. [*Ibid.*:16-17]. In these countries, the crisis hit mostly white-collar, clerical workers in urban areas and such groups as women, young workers, and first-time job seekers.

Certainly, the crisis negatively influenced on the population's well being. In Korea, the percentage of the population living beneath the national poverty line had increased from 8.5 in 1997 to 22.9 per cent in the second half of 1998 but, due to the incomes policy of the government, downed to 14.7 by the first quarter of 1999. [*World Bank/OECD*, 2000: 47]. Particularly remarkable impoverishment of the population occurred in the second-tier NICs, Indonesia and Thailand, which experienced the most serious devastating effect of financial storm. The crisis devalued their accomplishments in the poverty reduction and, consequently, narrowed the internal market. In Thailand, both urban and rural areas suffered a decrease of incomes. The share of poor increased by 13 per cent – 1.1 million

people – between 1996 and 1999. By the end of 1998, number of the people beyond the poverty line reached 7.9 million. [ESCAP, 2001: 141; Khunkitti S., 2002: 148]. In Indonesia, an increase of the poverty level being compared with that in other NICs had dramatic character: in absolute terms, it directly affected tens millions people. The share of the population below the national poverty line in Indonesia has changed from 11.3 per cent in 1996 upwards to 18.2 per cent in 1999. Approaching to this problem from the point of view of the international poverty line – daily income per capita below two dollars measured by PPP, we see a truly mournful situation in this country that has not return to the pre-crisis indicators still in 2002. In 1996, the population share living below the international poverty line in Indonesia was 50.5 per cent; in 2000, despite the resumed economic growth, this indicator has risen to 59.5 per cent and then slowly drifted downward to 53.5 per cent in 2002. [ESCAP, 2004: 246-247]. Hence, as it might be concluded, up today, almost ten years after the crisis, the country did not yet recuperate her level of consumption. Such results allow affirming a lose of the previous dynamism of the nation and weakening of the developmental state positions in the economy as a consequence of the New Order regime's crash in 1998. The state and the new government that displaced the regime of Suharto in power could not provide an efficiency of governance as the same existed before the crisis. Such weakening of the institutional conditions of economic growth should inevitably affect the social-economic mechanisms of poverty reduction as well as the entire growth engine.

As it was noted above, fast industrialisation and poverty alleviation in the region had been accompanied by the diminished social-economic inequality between rich and poor strata, some temporary deviations from this general trend notwithstanding. The crisis accelerated changes in direction towards more inequality,

although, to different degrees in each country. The most remarkable growth of inequality was noted in Thailand and Indonesia where outcomes of the crisis were particularly destructive. [Pangestu M., 2001: 19-20]. However, might be, one of the most dangerous results of the crisis from the long-term prospect's point of view, was not an increase of the social-economic inequality but a partial de-industrialisation and even de-urbanisation that had begun in Thailand and Indonesia after the crisis. Many workers, mostly unskilled and occupied at temporary, seasonal works, lost their jobs and were obliged, rescuing themselves from unemployment and starvation, to return back to traditional non-industrial, artisanal occupations in rural areas. Obviously, it succeeded in the de-qualification of a lot of industrial workers that were enforced to change their jobs for elementary survival. In this respect, the post-crisis processes, which were developing in Indonesia, Thailand, and, partly, in Korea had some features similar to those in Latin American countries, Russia and the CIS.

One of the factors (but not cause!) that aggravated maturing premises of the crisis was a character of corporate governance at the level of enterprises and corporations. Relative non-transparency and internal, corporate bureaucratic hierarchy were essential elements of the entire industrial system in East Asia. In the past, at the start of industrialisation, these elements contributed to the accelerated mobilisation of human and material resources for industrial take-off but then ceased to be able to respond to challenges in the conditions of globalisation. Therefore, one of the most important objectives the 'tigers' should have to attain consisted in profound transformation of the institutional structures aimed at disclosing of the old system when all decisions have been taken by a small group of top managers or even by one person, an owner of enterprise.

In tight connection with this problem, the post-crisis policy should strengthen a linkage between strong outward-looking, export-oriented and weak inward-looking, domestic sectors of economy. A convergence of these sectors through an alleviation of relative backwardness of the latter and democratisation of management has to become one of the main directions of the post-crisis reforms.

However, efforts of the state, foreign investors, and national opponents of the corporate bureaucracy did not help to resolve these problems in appropriate manner. The attempts to restructure the gigantic chaebols in Korea making them more transparent and democratically managed were 'semi-successful, semi-failed' because of the bureaucratic resistance to transformations. Actually, the corporate structures of chaebols (and the same can be said about many big companies in Malaysia) demonstrated a wonderful adaptability to the changing situation without real changes. In particular, neither hard hierarchical structures nor a tremendous concentration of assets in the hands of narrow circle of people (often belonging, moreover, to one family) were touched in the course of reforming. In other words, chaebols, as well as many Bumiputeras' big companies in Malaysia, have rather been imitating reforms not being really reformed, despite an apparent liberalisation and deregulation of market combined with restructuring of the banking system. [*Bidet E.*, 2003: 333-337; *Milelli Ch.*, 2003: 74, 80-89; *Lee K. e. a.*, 2005: 24-27, 37-39]. Hence, it was not surprising to read the following remark about attempts of the Korean government to restructure the chaebols: "... when it comes to the chaebols, reforms remain more rhetorical than real." [*Lee Ch. S.*, 1999]. Some years later, after the recession /stagnation of 2001, another observer, in spite of drawing attention to achievements of Samsung Electronics in the expansion to the US market, wrote in 2002:

"Samsung is in many ways still mired in the old ways of Korea Inc. Though it restructured after the Asian financial crisis – as did all Korea's family-run conglomerates – its top-down hierarchy bears more than passing resemblance to the one discredited by that meltdown five years ago. The group's key companies are rigidly controlled by Chairman Lee Kun Hee and his family, who own only a small fraction of shares but exert control through a complex web of affiliate holdings." [Larkin J., 2002]. (See also: Kim Jung Min, 2003; Song K., 2003).

At last, in 2005, i.e. after sufficient while of reforms, a group of the World Bank's experts recognised a fact of 'unchangeability' of the Korean economic system:

"After the waves of the reform, the present state of the economy seems to be not much different from the initial conditions although some progress, of course, has been made." [Lee K. e. a., 2005: 10].

A network of interpersonal ties and traditions of cronyism appears as somewhat much stronger than obvious advantages that could be expected in the future prospects as results of the management/governance reforms. Furthermore, an adherence to 'the approved attitudes' has inadequately operated in the situation of 'fast liberalisation'. For instance, in oppose to insistent necessity to revise the system of R&D, what should become one of the main directions of chaebols' restructuring, some giants of the Korean industry decided 'to diminish expenses' in the conditions of crisis. In particular, they cut funding for university and public institutes' R&D, and the major firms of chaebols appeared among the champions of such doubtful policy. [Chung Sung Chul, 2001: 152-153]. On the one hand, 'a wise decision', when a resolution of current problems contradicted to requirements of the long-term strategy, namely, to maintenance and improvement of the R&D system aimed at increasing competitiveness of the national industry, was a

consequence of debilitation of the developmental state after the crisis. On the other hand, one of the most essential reasons why the chaebols' top managers displace a real work of reforming for a bureaucratic imitation of reforms, was very weak correlation between managerial efforts and remuneration a narrow circle of the top managers got regardlessly to results of their duties' accomplishments. [*Lee Ch. S.*, 2001]). In essence, it was the same situation as one emerged at many enterprises in post-Soviet Russia where directors and proprietors (very often, they were the same people!), could earn salaries exceeding wages of workers and employees thousands (!) times whereas the latter and minor shareholders got nothing because of non-payments. Certainly, the Korean workers would not tolerate such practice as the Russian ones agreed to suffer when they did not get wages over several months. However, what is a matter in the given case is not a quantitative difference between wages of workers and remuneration of top managers but an essence of the management's practice and social-economic relationships in both cases. These relationships presuppose a super-exploitation that has been propped due to the system of personal dependency and oppression of any resistance to inhuman management and wrongdoings. An obvious fact that Korean chaebols are much more technologically advanced and competitive at the world market than Russian big companies is a weak consolation for those people, who sincerely wish to East Asian 'tigers' to be healthy and strong.

Meanwhile, together with other 'postponed reforms', the attempts to eternalise the patterns and attitudes inherent to 'conservative modernisation' may succeed in serious troubles in the future, including the second, 'enlarged and revised', edition of the Asian crisis.

One of such 'reforms' concerns the objective of tightening cohesion of the internally oriented sector of economy with the advanced outward-looking branches. The growth of small and medium-sized firms that has been seen in Korea since 2002-2003 is rather outcome of spontaneous development and has not yet succeeded in the radical re-orientation of the technologically advanced enterprises, regardlessly their sizes, towards the internal market. Small firms either well-known gigantic conglomerates, if they are able to offer something of high-tech to customers, prefer to export their products but do not worry about enlargement of the domestic demand. An ever-easier access of small and medium enterprises to advanced technology enabled them to upgrade their exports shifting it from 'traditionally industrial' goods (clothes, shoes, garments, chemicals, etc.) to those with high share of value added thanks to 'intellectualisation' of the manufacturing processes. Nonetheless, there are only few signs of the technological convergence of two sectors with each other. This circumstance as well as conservation of the old chaebols' structures, at least, in modified forms, does not alleviate a vulnerability of the NICs' economies to turbulent fluctuations of the regional and world markets.

Summing up, how the social-economic problems, which led 'tigers' to the crisis and turned miracle into debacle (although, I'm not biased to magnify a devastation of the E/SEA economies in result of the financial turbulence of 1997), have been resolving, it can be said that almost all these problems remain to be unresolved, may be, only with least modifications. Therefore, the general social-economic situation in the region is becoming similar to that in Russia/CIS or Latin America where decline of the developmental state and subsequent neoliberal reforms did not abolish a majority of

problems and imbalances that eroded the previous model of development.

However, consequences, as well as causes, of the Asian crisis did not and do not consist in the social-economic problems only. In truth, to a big degree, they lie beyond a realm of economy as itself.





12. Beyond a Realm of Economy

The crisis influenced on the cells of civil society, which was maturing in the process of fast industrialisation, urbanisation and rapid structural changes in the tissue of society. It subverted the belief in the omni-mightiness of the developmental state and enforced many people to hope for themselves but not for 'good fathers-bureaucrats'. A disappointment in the state provoked a rise of activity of the civil society's institutes, particularly, in the most crisis-affected countries, Korea and Malaysia (not speaking about Indonesia, where mass riots had overthrown the 'New Order' regime of Suharto). The social need to understand the causes of the crisis and searching for ways to overcome its consequences as well as the increased pressure from below obliged the governments to initiate shifts towards a more transparent taking of the economic decisions and to broaden 'a field of admissible critics' in mass-media, mainly on the internet. [*Bidet E.*, 2003: 343-346; *Rodan G.*, 2004: 56-61, 124-128, 151-155, 162-165]. Of course, in many respects, it was rather the state driven movement towards transparency than the spontaneous process, sprung from the civil society grass-roots level, partly, because of the relative immaturity and weakness of the civil society. [*Rodan G.*, 2004: 124; *Rol S.*, 2003: 390-392]. However, the post-crisis situation as a whole favoured the propelling of democratisation and eroding the relics of authoritarianism in the region.

The crisis and post-crisis recuperation with all fluctuations of conjuncture inevitably affected the mass consciousness and public opinion in the region. At the same time, the crisis and post-crisis development as well as reforms of the developmental state have had

invisible social-cultural dimension that can impact on the long-term process in the E/SEA NICs.

Indeed, the crisis as itself, and the post-crisis situation, favoured eroding the previously widespread mass consciousness' attitudes towards social-economic and political realities. An euphoria that was dominating before the crisis, 'vertigo from achievements', a belief in evidence of 'miracle' disappeared, though not completely, after the troubles of 1997-1998. The economic difficulties of 2001 could hardly ensure, too, people to believe in the 'bright future' as convincingly as they were previously sure in their prospects before the financial storm.

With regard to the recent situation, most people in Hong Kong, Korea and Taiwan province assessed it negatively. In their opinion (data for 2001-2002), it became worse than it was in 1996-1997, before the crisis. 52 per cent of the questioned Koreans, 62 per cent of Taiwanese, and 89 (!) per cent of inhabitants of Hong Kong shared such pessimistic opinion. (It is interesting to note that the questioned people in Thailand, the country much more crisis-affected than the mentioned first-tier 'tigers', demonstrated more optimistic estimations of the situation: the share of people, who considered it as worse than five years back was 38 per cent, and that of their opponents was the same.) Respectively, what concerned the future prospects for the next five years, they looked rather in 'grey' than light colours for most Taiwanese and inhabitants of Hong Kong, whereas Koreans expressed 'a moderate optimism'. In the first two cases, only 23 and 30 per cent of all participants of the poll, respectively, supposed that their economic conditions would improve in five years from the recent time, whereas 35 per cent in Taiwan and 30 per cent in Hong Kong were pessimists. In Korea, the share of pessimists was 20 per cent, and 40 per cent of people hoped for better conditions in the future, but only 2 per cent of the questioned

supposed that their conditions should become 'much better' than at the moment of poll. The rest of the people neither knew what they could expect for themselves nor were expecting for essential changes. [*Globalbarometer*, 2002].

However, regardlessly to the recent and short-term prospect economic situation, the crisis scored the mass consciousness' assessments of such phenomena as globalisation and the US assistance to regional development. In particular, it brought a disappointment in globalisation and capabilities of the US to defend the 'tigers' from the financial 'poachers' as well as undermined the belief in 'the western values'. In spite of the fact that "Asian respondents are generally much more positive about the effects of globalisation on job security than Europeans taken as a whole" [*Wilson Sh., Marsh I., Breusch T.*, 2002: 11], in some NICs of Asia a negative opinion about the effects of globalisation acquired the 'European' level. For instance, in Malaysia, Singapore, Taiwan province, and Thailand, a majority of people felt that the economic problems in their countries are mainly the effects of international or both the local and international causes, but not of internal character only. [*Ibid.*: 12, 8-9].

Actually, the crisis impacted on mass consciousness and people's values in the NICs almost in the same manner as the neoliberal 'shock therapy' influenced on the state of the population's mind in Russia, where the rise of traditional nationalism and xenophobia was the direct outcome of 'savage liberalisation' and pseudo-westernisation. In both cases, it would be possible to speak about the spread of spontaneous anti-westernism (and, of course, anti-Americanism) that could be concomitant with various forms of religious and cultural traditionalism or, even, fundamentalism. 'A blossoming bouquet' of all these reactionary '-isms' should inescapably impede the diffusion of positive western values and

motivations, such as 'achieving behaviour', rational, 'pro-scientist' mind, endeavour to permanent improvements of techniques and everyday life, the ability to co-measure expenses and effects, and so on. Refusing these and other values of modernity, together with the rejection of recent forms of globalisation, would be favourable to a further rise of reactionary populism and 'anti-developmentalism', as it took place in Russia. A similar path of events should have to be conceived as particularly crucial for the second-tier NICs, such countries as Malaysia, Indonesia, and Thailand (and the Philippines as well) where the process of catching up industrial modernisation did not touch very large 'fields of traditionality'. Today, these 'fields' become 'the shelters for frustrated consciousness', destructively affected by the crisis and post-crisis painful recovery. At last, it would be inadmissible to forget that a revival of traditionalism could involuntarily favour rising terrorism and terrorist networks in Southeast Asia, mainly in Indonesia and the Philippines, where the terrorist attacks already affected society in the last years.

Of course, terrorism is an extreme form of the rebellion against 'the globalisation in the Americanised arrangement'. What is much more widespread, but no less dangerous for social stability, is the internal social-cultural split in society and the decline of consensus in relation to the goals of development and modernisation. As one of the consequences of the 1997-1998 crisis, tensions in the sphere of the interethnic and inter-confessional relations rose in Malaysia and, mostly, Indonesia where the state was apparently weakening after the collapse of Suharto regime. Since 1998, when the 'New Order' declined, the country suffered serious eruptions of violence, embedded, also, in the old conflicts between the Chinese minority and 'pribumi' (indigenous ethnic groups), between Christians and Muslims in Maluku, Dayaks and Madurese in Kalimantan etc. In May-June 1998, 2,244 people were assassinated or mortally injured in

violent riots, partly directed at the ethnic Chinese. [*Khoo Boo Teik*, 2004: 1].

In sharp contrast to Indonesia, Malaysia did not witness violent outbreaks of interethnic conflicts, not counting two incidences of small importance. However, it does not mean that Malaysia is an idyllic realm of interethnic harmony. After the crisis, inequality of households' incomes between the main ethnic groups, Bumiputeras (Malays), Chinese, Indians, and other, has increased, although not to a catastrophic degree. It can be seen in the changes of the coefficient of variation of incomes from 1995 to 1999: being counted upon the base of the weighted mean in the country, it was equal to 30.2 per cent in 1995 and 31.8 per cent – in 1999. (Counted on: [*ISIS*, 2002: 157]. (However, it should be taken into account that the gross household incomes of Bumiputeras grew a little faster than those of the Chinese, while Indians improved their standard of life faster than Bumiputeras, and only the incomes of the tiny ethnic minorities increased to very small degree, being almost two times less than the average incomes in the country. Meanwhile, after the crisis, the variation coefficient for 2002 fell to 27.4 per cent, because of the rapid growth of incomes of other, minor ethnic groups, due to the social-economic policy of the federal government. (Counted on: [*Jomo K.S.*, 2004: 6]).)

Nevertheless, difficulties and tensions in interethnic relations in Malaysia do not disappear, while the income gap between ethnic groups is narrowing, because their reasons lie not only in the sphere of the social-economic inequality but also in some other respects the society appropriates in the course of globalisation. One of them is the social-cultural alienation the poor, socially backward and excluded people feel in front of the global turbulent processes. This alienation, as well as the contest against trends the people do not control, has been used by political forces, which are not interested in

social and technological changes. The mass base of these forces is mainly the inward-looking sector of economy, where the large groups of the population are occupied, so its well-being is crucial for the survival of a lot of people. Hence, it was not surprising when the Islamic Party of Malaysia (PAS), the leading opposition organisation, attempted to introduce *hudud*, the Islamic criminal code, instead of the secular laws, in Terengganu, the state where (as well as in Kelantan) this party had a majority of seats in the legislative assembly. [Jayasankaran S., 2002]. In response, the federal authorities qualified these attempts as unconstitutional, but such an assessment had become a foundation for the 'clash of laws' at the different levels of rule. Certainly, today it is almost impossible to presuppose that several political and ideological uprisings of socially backward strata against modernity in Malaysia, Indonesia, or Thailand can succeed in somewhat resembling an Islamic or other 'traditionalist revolution' in these countries. Nevertheless, a resistance of the traditional strata may oblige the governments to slow reforms for the sake of stability, and, consequently, it can 'freeze' the recent situation – the situation of transition towards new model(s) of development.

Nonetheless, notwithstanding many problems the 'tigers' have faced in the second half of the 1990s – the beginning of the 2000s the region as a whole has better chances for success than the other developing areas of the globe have today. (See, for example: [Yusuf Sh., Evenett S.J., 2002: 177-180]). Of course, East/Southeast Asia is a very heterogeneous region. Some of its nations are not completely industrialised, and today are closer to the former Third World than to the advanced countries. Other nations have come to the threshold of knowledge-based, post-industrial society, and their main task is to opt how to use the accumulated potential, mostly intellectual human capacities, in the new conditions. Definitely, in

addition, this heterogeneity hinders the successful collaboration of countries with each other, and is not beneficial for the free circulation of technologies, ideas and people, who personify the new 'know-how'. At the same time, the experience of such collaboration at the previous, industrial stage of development should not be ignored; on the contrary, it makes a good background for approaching the resolution of new problems, countries of the region have met after the crisis.

One of these main problems that cannot be reduced to the matter of the economy for itself but, rather, has been related to 'intangible dimensions' of the R&D system, concerns the quality of human intellectual capacities.⁸¹

It should be noted that the ruling circles of the Asian NICs perceived an importance of the education and R&D quality's problems still before the crisis. For example, in the early 1990s, the Singapore and Malaysian governments announced their intention to promote the new economy in their countries. It is sufficient to mention, for example, the well-known Malaysian MSC, Multimedia Super-Corridor, an area of technopolis stretching for 50 km (with width about 15 km) from the Petronas Twin-Towers sky-scrappers in the central part of Kuala Lumpur to the new international airport, a genuine technical miracle of the XXI Century. The MSC was constructed according to the 'Vision-2020' strategic goal – to transform the Malaysian nation into the highly developed society, based on education, new technologies, and scientific knowledge. Respectively, the government of Singapore declared the transition towards the creative economy as its main purpose, intending to turn

⁸¹ "In an increasingly knowledge-based economy, the supply of workers with the requisite skills and penchant for creativity will determine how much innovation takes place and how it is used to enlarge market shares. Many East Asian economies are increasing the availability of skills, but quality remains deficient." [*Yusuf Sh., Evenett S.J.*, 2002: 180].

the tropical city-state into the 'Boston of East Asia', similarly to the role the capital of Massachusetts accomplishes in the US scientific-technological development.

Obviously, in the context of the strategy aimed at acquiring the mentioned goals, a shift in the developmental state's policy from direct interventionism in the market and industrial regulation towards selective technological policy as a whole, besides the reforms in a sphere of education and R&D, is indispensable and doubtless. [*Sung Deuk Hahm, Plein L.Ch.*, 1998: 96-108]. But is such shift sufficient for profound changes of the existing relations between business and the state machine in Asia? Does it allow responding to the new challenges, or does it again succeed in a practice of technological imitations instead of creation of the proper technologies? The renovated developmental state (it would, probably, be more relevant to speak about 'the post-developmental state') in the E/SEA NICs should create the real conditions favourable for generating new scientific knowledge and information, which can be transformed into know-how and advanced technologies. One of the factors that could facilitate resolving this problem would be a further internationalisation of the East Asian R&D sphere, including its more active integration into the global network of research centres. (See, in particular: [*World Bank/OECD*, 2000: 12-13].) The renovated, 'post-developmental' state can play a major role, assisting the local universities and research centres to reach this goal through constructing the corresponding 'institutional environment' and all the rest that has been called as 'social capital'. [*Bagchi A.K.*, 2000: 432-436].

An essential difficulty the E/SEA 'tigers' meet attempting 'to catch a fortune for tail' again, now in relation to the rising knowledge-based society, is that today a complement of factors and conditions of the effective R&D system is notably larger and more complicate

than it was fifteen-twenty years ago. For instance, now an institutional regime that provides incentives for R&D is no less important than an existence of the educated labour force or world-class universities. In this respect, the experience of Russia, rather negative than positive, is the best illustration of the institutional environment's significance for success. In Russia, skilled workers and brilliant research centres existed before and just after the start of the 'reforms', but a complete absence of the institutional conditions and incentives for applying results of scientific researches to technologies depreciated the colossal intellectual and technological potential over one decade of the so called 'transformation'. Today, a number of factors that determine a leadership of any country in R&D encompasses, in particular, such as the intensity of the competition among firms, the interaction of R&D centres and business enterprises, the global mobility of researchers and other professionals, a production networking, and many other ones. [Yusuf Sh., Evenett S.J., 2002: 35 et ff.].

The institutional conditions necessary for the R&D system are indistinguishable from something, which can be called *an innovation infrastructure*. The latter presupposes the existence of both 'hard' and 'soft' elements, such as a system supplying research tools and equipment, rules regulating the funding of R&D, a network of venture firms, laws defending intellectual property rights, the complement of stimuli evoking a demand for the R&D results, and so on.⁸² Despite the notable efforts the governments of the NICs applied to development of both types of innovation infrastructure, 'hard' and 'soft', the region as a whole has not yet obtained remarkable results in this area. Certainly, achievements of the

⁸² A consideration of these aspects of the innovation activity and R&D system would require surpassing all reasonable limits of the text, so it is enough to refer to some publications, particularly, issued by the World Bank. [Yusuf Sh. et al., 2003: 141-180, 223-269].

'tigers', particularly, those belonging to the first-tier group, in applying, for example, the information and computers technologies (ICT) to secondary and tertiary education or R&D cannot be ignored. [*Ibid.*: 198-201; *World Bank/OECD*, 2000: 79 et ff.]. In this respect, they surpass both Russia and the Latin American continent, pertaining to a group of the most developed nations. However, 'tigers', emphasising on investment in 'hardware' elements of the innovation and education infrastructure, involuntarily underestimate, often in contrast to the proper declarations, the significance of the 'software' base in a large sense of this concept. [*World Bank/OECD*, 2000: 79-82]. It enables speaking about *inertia of the obsolete approaches* to the resolution of the long-term problems – approaches that were inherited from the period of industrialisation when the developmental state blossomed together with the growing industry.

In particular, even so prominent a statesman and strategist as Mahathir bin Mohamad did apply the experience rooted in the process of catching up industrial modernisation to the consideration of the problems risen at the stage of transition towards a knowledge-based economy.

Pronouncing a speech at the ceremony that was held on the occasion of the opening of Cyberjaya, the scientific-technological capital of Malaysia built near Kuala Lumpur inside of the MSC, he said:

"Over the recent past, I have been blessed with the opportunity to be part of Malaysia's growth-seeing its transformation from an agricultural-based economy to one focussed on manufacturing. A key success factor in this progress was our emphasis on becoming globally competitive by creating a conducive business environment. Indeed our oil palm industry, as represented by the palms, which you still see around us, still continues to lead the world. This

tradition of global competitiveness continued into our industrialisation phase so much so that today, we are the world's largest exporter of microchips. It will also continue through the third phase of our development as we capitalise on the opportunities of the Information Age." [Mahathir bin Mohamad, 1999b, # 7].

Certainly, the shift of the country's economy from the exportation of palm oil to one of electronic microchips should be appraised as an outstanding achievement. However, would it be possible to hope that the next jump – from the exportation of microchips to the worldly wide diffusion of new ideas and technologies elaborated in Malaysia could be too fascinating? Supposedly, the old, previous approaches to national development could hardly be relevant solving the new tasks, but political leaders, not speaking about ordinary bureaucrats and businessmen, were accustomed to follow definite stereotypes of mind, and it was very difficult for them to change their approaches and views, even recognising a necessity to do it notwithstanding.

Indeed, the NICs governments reacted to the crisis adequately, at least, in their speeches and programmes, demonstrating a profound comprehension of the situation, which had not been reduced merely to the economic difficulties. For instance, the Korean government announced plans to increase the total, public and private, expenditures for R&D from 2.7-3.0 to 5 per cent of GDP. [World Bank/OECD, 2000: 16].⁸³ (By the way, these ambitious plans are not yet realised.) Singapore augmented the share of these expenditures two times over the six years (1996-2002) and now can be compared to the most advanced OECD countries by this indicator, which has reached 2.15 per cent of GDP. Malaysia (and it was the undeniable merit of Mahathir bin Mohamad before his honourable resignation in October 2003!) increased the total R&D expenditures

from 0.22 per cent of GDP in 1996 to 0.39 per cent in 1998, then to 0.50 per cent in 2000 (growth by 48 per cent over two years!!), and to 0.69 – in 2002. [*MASTIC*, 2000: II, IV, 10; *MASTIC*, 2004: 43, 7, 16]. With such rate of the growth, Malaysia should cross a line of the R&D expenditures ratio to GDP equal to 1 per cent in 2005, which would exceed the level of those in any Latin American country except Brasil, which surpassed it already in 2001-2002. It would be much more than in Thailand, Indonesia, and the Philippines, but less than in the first-tier NICs, Korea (2.54 %), Taiwan province (2.30 %), and Singapore (see above). At the same time, it is worth to draw attention to the tendency of the ever-increasing share of private sector in the total expenditures for R&D. This share in Malaysia has been equal to 57.9 % in 2000, and has grown to 65.3 % in 2002. [*MASTIC*, 2004: 7].

Respectively, while the R&D expenditures grew, a number of researchers and people, who assist them in the NICs, increased, too. In Malaysia, it reached 15.6 per 10,000 labour force in 2000 and 18.0 per 10,000 – in 2002. Nonetheless, it was notably lower than in such first-tier NICs as Korea and Singapore. In Korea, there were 60 researchers and assistant personnel per 10,000 labour force (1998), in Singapore – 83.5 per 10,000 (in 2000) (for comparison: in the US – 74 per 10,000 (1999), in the UK – 95 (1995)). [*MASTIC*, 2000: III, VII, 18; *MASTIC*, 2004: 7].

Obviously, so wide a gap could not be alleviated during such a short while of some years, whereas it was rather unexpected that Malaysia would catch up with Korea and Singapore.

In addition, it is necessary to underline that since 1996 funding of R&D in Malaysia has been characterised by an emphasis on applied research on account of basic research [*MASTIC*, 2004: 16], though,

⁸³ As the authors of the mentioned OECD and the World Bank report about the Korean transition towards a knowledge-based economy noted, “it is not so much a

as it is known, only the latter makes up the genuine 'intangible' foundation for the former. Such orientation of R&D towards solution of mainly practical tasks (what presupposes a high degree of commercialisation of R&D) instead of fundamental outcomes at the theoretical level, probably, can bear good results but it will not unleash the country from the scientific-technological dependency on the world leaders. Thereby, hunting for instant effects may be very useful in the short-term prospect, but can narrow 'a space of opportunities' for success in the future.

However, what concerns such countries as Malaysia and Thailand, they have objective limits to the development of their theoretical, basic research: these countries had never the nationally based scientific schools with definite stable traditions and could not create them over the ten-fifteen years industrial boom. Even such a country as Korea, which expended and expends for R&D at the level of the advanced OECD countries, in the beginning of the 2000s experienced a horrible deficit of researchers in some important fields of science, including biology and biotechnology. A number of Korean scientists and assistant specialists in this field of research was less one-tenth than the US and Europe had. [*Kim Jung Min, 2001*].

The problem of the specialists' training and, in larger respect, that of the rise of scientific schools can be resolved (of course, only in the long-term perspective), at least, by two ways, and they both do not contradict to each other.

One of these ways presupposes the international co-operation and collaboration of several countries, and western and Asian countries as well, taking into account the scientific achievements of two Asian giants, China and India, where theoretical research has rapidly been developing, offering ideas and 'intellectual fuel' for concrete, applied research.

matter of the amount of money spent as the way in, which it is spent." [*Ibid.*: 16].

Another way means undertaking special efforts in schooling, beginning from the secondary level of education, not speaking about necessary improvements at the universities and colleges level. All 'tigers' attempt today to elevate their *quality* of education, reforming the education system corresponding to the new realities. Evidently, a solution of this task of strategic importance requires no less efforts and expenses than the radical alleviation of mass illiteracy required in the past. A simple augmentation of resources invested in the secondary and tertiary education may be insufficient and ineffective, if it has not been accompanied by a reconsideration of the widespread attitudes to education. (What is the character of this revision is another matter. In Russia, it consists mainly in decreasing the number of hours for studying mathematics and physics, the subjects that are necessary for promoting a rationalistic world-view, with the simultaneous simplification of the subjects' programmes. The governments of the 'tigers,' as well as the respective authorities, responsible for education (the Ministries of education, Education Boards, etc.) are not going, as it seems, to follow this way, repeating post-Soviet Russia's stupidities, but that they will be 'tempted' to do so by experts of the IMF or the World Bank cannot be ruled out completely.

In the context of the strategic task to improve educational quality, the teacher's role becomes as significant as it has never been before. Indeed, in the last years, the NICs' governments applied remarkable efforts aimed at attracting qualified specialists to secondary schools. As the Malaysian government argues, a raise of teachers' salaries is a very important tool to resolve this problem. At the same time, it self-critically recognises that today teachers' salaries in the country are relatively low, four-five times less than in the OECD countries, so they must be substantially raised. [I/S/S, 2002: 33, 36, 38-39]. Nevertheless, as special studies indicate, a

raise of the teachers' salaries by itself may be insufficient to attract high-class specialists to work at schools. [Yusuf Sh. et al., 2003: 196-198]. No less important is the opportunity for specialists to realise themselves (an opportunity of self-fulfilment) in the process of teaching. A definite decentralisation of teaching, broadens such an opportunity, but not always. If most teachers are accustomed to deal with pupils in a certain manner and recommend them the manual books, approved in the course of many years, they will hardly change their teaching style accordingly to orders issued by the education authorities to modify their attitudes to work.

Perhaps, the most dangerous process which could emerge in the process of reforms is not only a quick destroying of the old background of future accomplishments, but also the intention of reformers to put together diverse elements, attitudes, rules and institutions of the obsolete and new systems, which are incompatible with each other. In other words, the most destructive action for any reform is the non-systemic approach to its realisation. Meanwhile, sometimes such an approach involuntarily takes place in the activity of the NICs authorities responsible for the educational system in their countries.

For example, the Korean Ministry of education decided to open new high schools for the talented youngsters with aptitudes to mathematics, physics and other natural or technical sciences. At the same time, it allowed the existence of ever-accessible private schools, where teaching is based upon non-standard programmes aimed at the development of the students' creativity. Both initiatives have faced a criticism and resistance from a part of the teachers, parents, academic circles, and the education bureaucracy. Some of them criticise the new schools for their elitism and their attraction of additional resources that could alternately be expended for improvement of mass education for ordinary pupils. [Kim Jung Min,

2001]. At the same time, the educational bureaucrats, who are adherent to 'old merry principles' of teaching, assert that these schools orient the selected teenagers to 'wrong approaches to studies' and do not correspond to the youth's socialisation accordingly to 'approved traditions'. One of such schools, Gandhi School, privately founded as experimental by a group of teachers, stayed on the threshold of closure because high officials thought that it should be 'inadmissible' to 'encourage creativity' at 12, at such 'early' age. In the opinion of the Education Ministry's bureaucrats, children until 15 are not ready for alternatives types of schooling, "they need the structure of a traditional school", so the Ministry did not suggest aiding the school to avoid bankruptcy. [Yoon Suh-kyung, 2002]. Education bureaucrats nurtured on fundamentals of the Confucian traditions were unable to comprehend how it would be possible that schoolchildren did not spend a lot of time learning mathematical formulas instead of understanding their intrinsic sense.

Meanwhile, it cannot be said that some people, either parents of students, or education officials, or teachers, who regard the implementation of new special schools network with suspicions, have no real foundations for their attitude. In this respect, the experience of Russia over the last two decades (since 1990-1991) allows suggesting, indeed that such practice can succeed in a rise of a new kind of social segregation, now founded upon a gap between human, intellectual capacities of two, quantitatively unequal groups of students. The first, minor group will have all opportunities to be engaged into creative activity at the world level, entering the global intellectual elite, while the second, major group will represent 'the grey mass' of ordinary executives, probably, functionally illiterate and capable only of unskilled labour. In this case, the elitist education, particularly, in such fields of science as maths, physics, biology, and so on, inaccessible for a majority of youngsters for

various reasons, will become either the system of training for intellectual outsourcing, or the ladder for brains oriented to work abroad. Moreover, under such a structure of the education system, talented youngsters graduated from high schools and prestigious universities will not have an opportunity for proper self-fulfilment, at least, inside of the country, because no intellectual elite, advanced and competent in sciences and technologies, can hope for success without skilled assistants and executives. Therefore, in the long-term prospect, an extending intellectual segregation, based on a selection of the most talented young people throughout the system of special high schools, may devalue all efforts aimed at searching for non-ordinary persons, capable to make up a contingent of outstanding students. The only way to avoid such negative consequences in the sphere of education is to pull up mass education for ordinary students to the respective level, corresponding to the new challenges. In other words, the breakthroughs concerning the quality of education for creatively minded pupils can be effective only if this has been supported 'from the other side', by the radical improvement of education for the rest of students. It means that reforms of the education system have to comprise all levels and directions of graduation. Otherwise, they will turn into the opposite, becoming 'anti-reforms'.

Nevertheless, in spite of the principal importance of the secondary education as the key link of the whole education system, transition towards a new, post-industrial model of development requires drawing no less attention to tertiary education, too. The first, what has to be done in this sphere, concerns enrolment rates. If the first-tier 'tigers', Hong Kong, Korea, Singapore, and Taiwan province, have acquired tertiary education enrolment rates at the level of OECD countries or even better (above or, at least, about 40 per cent of young people of the university/college students age), the

same cannot be said about the other NICs, Malaysia, Thailand, and, particularly, Indonesia. (See: [ADB, 2004b: 55]). Despite evident improvement of the tertiary education enrolment rate in these countries after the crisis, they are still far retarded from the world and regional leaders, and have not yet reached a reasonable limit of quantitative growth in the given direction of development.

At the same time, the problem of tertiary education quality is important for all 'tigers', whether they pertain to the first or second generation. One of this problem's aspects consists in a structure of all graduates at the tertiary level by specializations. In particular, the share of bachelors in engineering and natural sciences at 24 years in the first-tier NICs was 33-37 per cent (in 1998-2000) (in Singapore it reached 67.5 per cent!), what surpassed or corresponded to similar indicators in the advanced OECD countries (whereas the average world-wide respective indicator was 37.8 per cent). The second-tier 'tigers' lost the competition in this respect to their more developed 'co-brothers': the highest ratio of engineering and natural sciences specialists with bachelor's degree was in Malaysia (24.4 per cent in 1998) while both other countries of this 'tigers' group, Indonesia and Thailand, had 21.7 (1999) and 17.8 per cent (1998), respectively. [OECD, 2000: 167, 173-174; NSF, 2004; Yusuf Sh. et al., 2003: 204]. From the end of the past decade up today, the situation has not been drastically changed.

Furthermore, besides numerable indicators characterising the countries' tertiary education and S&T achievements, there are also indirect parameters that express, too, a real state of this sphere, for example, such as the publication rate of scientific papers written by researchers from the given countries, their citations, and so on. [Yusuf Sh. et al., 2003: 204-216]. The visible progress of the E/SEA NICs in this field notwithstanding, the region as a whole is still losing the competition to the US and Europe by the mentioned indicators. It

means that the 'tigers' have to spend a lot of resources and time to reach the most advanced level of the S&T development.

However, there are also other obstacles, which impede the successful movement of the region towards the proclaimed goals. Some of these obstacles are common for many spheres of economy and society, whether it concerns the secondary and tertiary education, the system of R&D, or governance and management at all levels. At first, it has to be said about the attempts, voluntary or not, to transplant the old approaches and traditions, in particular, culture of management that were used in the course of industrialisation, to the changed situation. For example, the Malaysian government, approaching to the New Economic Policy (1971) aimed at pulling up Bumiputeras to the level of the ethnic Chinese, introduced quotas for entry to public universities and colleges. In particular, 55 per cent of openings in higher education were reserved for the ethnic Malays and indigenous people, making up 66 per cent of the total population (data for the beginning of the 2000s). Certainly, in the past, such a 'converse discrimination' aided to equalise the opportunities for different ethnic groups and to narrow the social-economic gap between Malays and non-Malays. Nonetheless, later this order had become one of the institutional obstacles (partly, rooted in the cultural traditions) to a further development because it restrained chances to entry to public higher colleges and universities for the talented, intelligent youngsters from the Chinese and Indian ethnic groups. [Holland L., 2001]. (At last, the government was obliged to revoke this practice under pressure of business circles.)

At the same time, it would be mistaken to suppose that obstacles to the shifts toward 'the genuine meritocracy' were rooted in the developmental state policy only, whether it is the New Economic Policy beneficial for Bumiputeras in Malaysia or the specific character of management in Korean chaebols. The Asian crisis discovered a

truth, which, may be, is drastically unpleasant for recognition by many people in the region but has to be accepted as necessary condition of the developmental model's revision. Namely, it denuded an extending incompatibility of the core of cultural traditions (i.e. 'the civilisation code' of the E/SEA nations) with a search for adequate responses to the globalisation challenges. It has been related to either Malayan culture or Chinese traditions, particularly those grounded in Confucianism. [*Shaw Sin-Ming, 2001*]. The main task the 'tigers' have to solve, lies in the character of the 'conservative modernisation' that enabled to reconcile the 'Asian values' with the principles and attitudes of modernity in the course of catching up industrial modernisation. During the period of thirty – thirty five years, the ruling elites and peoples of the region sought and found a balance between traditionalism and modernity. Since it was a stage of modernity that sprang in the conditions of the XX Century, managerial capitalism, which presupposed a major role of the state, the conception of Max Weber concerning the compatibility of the oriental traditions and/or philosophical-religious systems with capitalism looked obsolete and scientifically inconsistent. Now, on the eve of the post-capitalist era, the Weberian conception in respect to the East may become actual and relevant again, as at the dawn of the past Century, though on other reasons. (It proves once more that, as my Russian colleague Andrey Foursov says, sometimes sunsets have seemingly been resembling to sunrises not only in nature but also in history, too.) Today, the mentioned balance between traditions and modernity must be, at least, changed and substantially revised, and the sphere of education is, probably, the first where it has to be done. However, the education system, regardless of all quantitative positive changes of numerable parameters or augmenting expenditures for R&D, is not yet profoundly reformed. Furthermore, it

"may encourage the development of *cognitive conservatism*, a constellation of attributes, which leads the person to adopt a passive, uncritical and uncreative orientation to learning and to hold fatalistic, superstitious and stereotypical beliefs; as well as to be authoritarian, dogmatic and conformist." [Ng Aik Kwang, 2001: 65].

Neither structural reforms, nor the enlargement of the R&D sector, nor improvements of the macroeconomic proportions for advantages of consumption, will assist the Asian NICs if their peoples will not reconsider the secular customs and traditions. *'Tigers' shall have to change themselves if they want to continue to be 'tigers', or, at least, to keep their recent positions in the world system. They must resolve the same problem as the Russian 'bear' faces everyday at all levels of the social-economic life over the last three-four decades: if the Russian 'bear' wishes to see Russia among the great powers he has to change himself (otherwise, he will cease to be a beast, which is respected by other animals).*

A comparison of the E/SEA situation with the Russian one with regard to the correlation between the cultural code and the prospects of further development has also one, hidden, dimension that looks as a peculiar warning to the 'tigers'. If nothing will be changed in respect to traditions and people's habits, the NICs risk falling into a situation of deep demoralisation and social impatience of most of the population, as it has occurred to Japan. This situation can invisibly mature over the long time, but when it will appear as evidence of everyday life, it will be very difficult to cure society profoundly affected by social apathy and widespread bias to leisure. Such a social-psychological sickness can be, probably, the most dangerous consequence of the reforms' postponement. (In the given case, reforms are interpreted in a wide sense, as a series of actions touching all aspects of society, including mass consciousness.)

In the conditions that exist in the region, a deference and custom of obedience to elders, chiefs, and teachers in the conditions of mass consumption and urban way of life may be turned into a principle 'I know nothing, I see nothing'. The growth of private consumption, whether it has been impeding by various factors or not, destroys traditional forms of social relationships. People become more independent on each other, but this process may not tend to an emergence of the new forms of solidarity and socialisation that can be seen today, for example, in the countries of North Europe. Conversely, soon or later, it succeeds to the atomisation of individuals and to the triumph of passivity, when most people acquire a high level of material well-being, but are unable to fulfil themselves through whatsoever creative and socially useful activity. That was the case of the late Soviet and post-Soviet Russian society. In such a situation, even enlightened authoritarian and morally responsible leaders whose purposes consist in the social-economic prosperity and technological breakthroughs of their country, will hardly be capable to mobilise the necessary human resources for the realisation of the new development strategy. Then, a spectre of development variants, within which the Asian NICs can choose 'their proper way', will spread from the Latin American model (growth without or with insignificant qualitative development and imitation of the advanced western accomplishments) to the Russian one, when the economy grows mostly in quantitative respect and only weakly springs of upstream, and progressive changes within the general tendency to degradation appear spontaneously in the twilight.

Certainly, today E/SEA as the entire region has real chances to avoid destructive tendencies to decline. But these are only chances. The practical results will depend on the will of leaders, on the intellectual capacities of the peoples and many other factors that lie beyond the realm of 'pure economy'.

Concluding Remarks

An expansion is an immanent property of capitalism. It has two dimensions, which really have not been opposed to each other as endogenous entities or processes, but, rather, make up a single contradiction in itself. One dimension consists in outward-looking expansion and encompasses colonialism, imperialism, struggle for new markets and supply of raw materials, and so on. Another dimension means inward-looking expansion that presupposes a deepening division of labour, a rise of new branches of economy, an improvement of labour skills, a process of innovations, etc. The former aspect of expansion needs in the latter being its 'material foundation', while any inward-looking development requires a supply of new resources and enlargement of markets, thereby, it inevitably pushes capital to expansion abroad.

Classical, the XIX Century capitalism grounded on spontaneity of free market had reached the objective limits in the course of proper expansion. It was not able to conquer the large territories extending to eastward from Ural in the North and from Himalayas in the South. This capitalism had neither forces nor resources for further expansion of the first (outward) type, and reproducing a central-peripheral structure of the world system, it restricted expansion of the second type, founded on intensive development.

The problems of expansion, which the XIX Century capitalism met, could be resolved – it was another matter to what extent – by functional, managerial capitalism. A domination of the capital's function, function of management, entrepreneurship, innovations, etc., over the private property institutions enabled, to a big degree, to compensate a relative shortage of material resources needed for the capitalist expansion in the global scale. It enabled the non-

western regions to approach to the catching up development upon the base of imitative industrialisation when the main agent of development was the developmental state, whether together with or without an entrepreneurial class. All three regions under consideration in this book, Soviet Russia, Latin American countries, and then, in the last third of the XX Century, East and Southeast Asia followed the model of catching up development with, of course, several modifications, accordingly to the local traditions, specificity, and concrete external circumstances.

Since the external challenges and insistence of modernisation in the three called cases were stronger than the internal impulses for development, the catching up modernisation should have to be adjusted to the existed realities. It should take a form of 'conservative modernisation', balancing between the local traditions and social structures, on the one hand, and the imperatives of industrialisation, on the other hand.

Certainly, strictly speaking, neither Soviet Russia, nor Latin America, nor East Asia was the pioneers of catching up development in history. In this respect, a priority belonged to Germany, Japan and tsarist Russia in the XIX Century, under old, private property capitalism. However, the mentioned countries, particularly the first two of them, approaching to their modernisation, did not retard from the world leaders to such degree as the regions considered here did in the XX Century. Consequently, 'the catchers up' should have to take into account the really existed factors, human skills, material background, customs of people, social institutions, etc., which did not correspond to requirements of modernisation. It was necessary, respectively, to adjust old and new elements (aspects) of the social-economic, institutional, cultural, and other spheres to each other. The 'conservative modernisation' was the result of such reciprocal adjustment.

The XX Century capitalism bore a phenomenon of the scientific-technological revolution. This revolution, which has technological as well as social aspects, is based upon an expansion of creativity, a replacement of industrial labour by intellectual activity, and an extending superiority of 'spirit' over 'matter'. A microprocessor and information technologies are only concrete 'emanations' of these processes. However, they depreciate all efforts and expenses of 'late-comers' aimed at the catching up industrial development. This kind of development may be efficient and fruitful only if it is oriented mostly towards internal market and, in addition, has been combining with rapid and successful development of post-industrial, knowledge-based economy (the cases of Asian giants, China and India). Since neither Russia, nor Latin American countries, nor the E/SEA NICs could cross a threshold of this stage of development upon the own base, they were doomed to be vulnerable to turbulences of new, post-industrial capitalism aggravated also by financial globalisation.

The crisis of 1997-1998 in Asia had been, in essence, an expression of the same global crisis of statism and catching up industrialisation that affected the former Soviet Union, East European 'socialist countries, and Latin America ten years before. In spite of undeniable achievements, the E/SEA NICs had, in many respects, the same weaknesses and vulnerabilities that predetermined a rise of serious difficulties and troubles in the USSR, post-Soviet Russia, and Latin America. In the concrete case of E/SEA, these were imbalances between the outward- and inward-looking sectors of the economy, between big companies and small/medium businesses, between artificial, truncated liberalisation of the internal markets and inertia of the developmental state's activity, between the proclaimed goals of technological policies and the really existed quality of the human resources, between obvious achievements and social-political institutions that in the past

facilitated to acquire the recent level of development but then turned into obstacles to renovation.

Focusing on weaknesses of East Asian miracle, I would like that potential readers from East Asia would perceive my critical notes regarding their deficiencies and vulnerabilities as friendly critique. An experience of my native country, Russia, is so enormously anxious that it is impossible not to think about dangers, which can threaten Asia in light of the Russian tragedy, although these dangers are objective results of the preceding stages of development.

Since the early 1990s the development (or anti-development?) of Russia and Latin American countries as well has a lot of implications for East Asia where the international organisations, including the IMF, in alliance with the local influential circles attempt to implement almost the same social-economic models, which were applied to Russia and Latin America. Such attempts have been undertaken with notable efforts after the financial crisis of 1997-98, and, probably, they will hardly be abandoned in the future.

As Latin American and, particularly, Russian experience teaches, any attempt to stabilise the social-economic situation in the conditions of deep crisis without applying efforts aimed at further development can be turned into an additional destabilising factor threatening to the country's security. Any appeal to accomplishments of the past, if it is not maintained by real renovation, may become 'a joke of history' when a society has been involved into tenets of the reactionary utopianism. In practice, it means that neither rapid, 'Bolshevist' liberalisation of economy nor conservation of the developmental state in its preceding forms (statism) can help to avoid crisis and to overcome destructive tendencies.

As mournful experience of the Russian state's evolution (or, rather, involution) demonstrates, the developmental state as itself,

in the conditions of globalisation and the managerial capitalism's decline, may 'initiate' the process of self-decomposition becoming a major engine of the social-economic and cultural degradation. Unfortunately, there are several, still weak but apparent, signs of jeopardy that a part of the economic bureaucracy and business elite in the E/SEA NICs, in particular, officials, top managers and owners of chaebols in Korea, may become a kind of 'transfer' (or 'transit') class that rules in Russia and is interested in conservation of the old structures not reforming but adjusting them to the changed conditions. This bureaucracy, a potential core of the transfer class, formally recognising a necessity of reforms, can attempt to eternalise the period of transition towards... – it is unable to explain towards what this transition is because the transition period as itself has an absolute value in eyes of bureaucracy. However, the strategic task to eternalise transition cannot be solved at all (because any transition has a start and finish) but attempts to do it may succeed in the new wave of crises and turmoils, as Russian experience approves.

Can liberalisation of economy be an efficient alternative to declining statism and self-disintegrating developmental state, as admirers of free market assert? To sorrow of many critics of 'crony capitalism', state interventionism and other features of East Asian 'miracle', a radical liberalisation does not allow hoping for positive changes. As the tendencies that prevail in Russia and several Latin American countries over the last fifteen years, since 1990-1992, demonstrate, a liberalisation of economy and external trade does not enable to 'ennoble' their structure and to occupy more advantageous positions in the international division of labour. Moreover, the Russian trajectory experience looks as warning to the Asian nations: a formal liberalisation of economy does not automatically eliminate corruption and does not succeed in transparent management. On the

contrary, a conservation of the social relationships based upon interpersonal dependency is completely compatible with a formal liberalisation, which opens new ways to enrichment through corruption.

In addition, neither Russian nor Latin American development convinces that the fast implementation of 'liberal principles' and formally democratic political institutes can strengthen an adherence of people to the liberal, western-style values of mass consciousness. In oppose, a spontaneous, 'savage' liberalisation leads to deep social differentiation with subsequent exclusion of the large masses of people from the social life and, as a result, to a resurgence of various forms of traditionalism and anti-westernism. At the same time, the attempts to insist on neoliberal dogma that the recent forms of globalisation are the only possible way of the world evolution can provoke a reaction of rejection in the form of radical, militant traditionalism, particularly, in such countries as Indonesia and Malaysia where the conservative political currents with definite religious inclination are very strong and influential.

Thus, a dilemma 'liberalisation of economy or conservation of the developmental state' is a false dilemma. A real resolution of the problems the NICs confront since 1997-98 presupposes a fundamental but gradual reformation of the developmental state, which should correspond not to the XX Century capitalism but to the post-industrial (post-capitalist) trends. The developmental state, like the national state as a whole, has chances to survive under offensive of globalisation only if it will assist to its country and its people to be involved into the process of globalisation in positive, creative sense. Otherwise, it will be fallen down.

On the one hand, the developmental state must build up institutes that are indispensable for genuine but not formal ('for report to the IMF') liberalisation of economy. It must support all

grass-roots initiatives of civil society that can facilitate building of the self-regulating market system. On the other hand, the developmental state in the process of self-transformation must focus its efforts on a sphere of education, access of people to cultural values, scientific researches that cannot be commercialised. The real results of activity in this sphere cannot be acquired immediately, so it is difficult to expect for new 'miracle' in East Asia. The time of industrial 'miracles' is over, the time of post-industrial (scientific and intellectual) 'miracles' has not yet come.

However, the main task the state and society in the E/SEA NICs must solve concerns a heritage of 'conservative modernisation'.

Actually, the nations of the region have faced the same dilemma as one that neither Russians nor Latin Americans have still resolved: to change themselves and to go forward or save their traditions, customs, and attitudes to reality, risking, thereby, to lose the recent positions in the world system. If the peoples of E/SEA will not change themselves, the devastating financial-economic storms and other social troubles may become frequent phenomena in the region.

Today, 'tigers' are at a crossroads. In truth, it should be very disappointing and mournful if East/Southeast Asia, the only non-western region (particularly, together with India and China), which really narrowed gap between itself and the West over the last fifty years, would be incapable to overcome the recent situation of 'modernisation trap'. Perhaps, somebody is afraid of the 'tigers' success, particularly, in alliance with the Chinese 'Big Dragon', because then the region will become the 'pole of force', the new competitor for the West and Japan. However, only narrow-minded strategists and wiseacres (a lot of them may be met in the US State Department, IMF and other similar entities) can have a fear of such path of events. Really, nobody in good reason should be afraid of the rise of new competitors in Asia because competition is one of the

necessary conditions of development. And if 'tigers' will not jump out of 'modernisation trap' they have fallen in the end of the past Century, it will have extremely negative outcomes not only for them but also for the West. The possible decline of the East Asian fortress of modernity can affect all centres of development, whether they are in the western or eastern countries. It will mean a defeat of the West in front of militant traditionalism, which can be much more dangerous for mankind than 'brown plague' of Nazism in the XX Century.



Bibliography

- Abe Sh., Plummer M.G.*, 1998. On the Myth of Asia's Miracle. – In: East Asian Development: Will the East Asian Growth Miracle Survive? Ed. by F.G. Adams and S. Ichimura. Westport (Conn.), L.: Praeger.
- Adams F.G.*, 1998. The East Asian Development Ladder: Virtuous Circles and Linkages in East Asian Economic Development. – In: East Asian Development: Will the East Asian Growth Miracle Survive? Ed. by F.G. Adams and Sh. Ichimura. Westport (Conn.), L.: Praeger.
- ADB (Asian Development Bank)*, 1999a. Asian Development Outlook 1999 Update. Manila: ADB.
- ADB*, 1999b. Key Indicators of Developing Asian and Pacific Countries 1999. Vol. XXX. Hong Kong, Manila: Oxford University Press (China) with Asian Development Bank.
- ADB*, 2000a. Asian Development Outlook 2000. Hong Kong: Oxford University Press (China).
- ADB*, 2000b. Key Indicators of Developing Asian and Pacific Countries 2000. Vol. XXXI. Hong Kong, Manila: Oxford University Press (China) with the Asian Development Bank.
- ADB*, 2003a. Asian Development Outlook 2003. N.Y.: Oxford University Press for the Asian Development Bank.
- ADB*, 2003b. Key Indicators of Developing Asian and Pacific Countries 2003. Volume XXXIV. Manila: ADB.
- ADB*, 2004a. Asian Development Outlook 2004. N.Y.: Oxford University Press for the Asian Development Bank.
- ADB*, 2004b. Key Indicators of Developing Asian and Pacific Countries 2004. Volume XXXV. Manila: ADB.

- ADB*, 2005. Asian Development Outlook 2005. Promoting Competition for Long-term Development. Hong Kong: Asian Development Bank.
- ADB*, 2006. Asian Development Outlook 2006. Routes for Asia's Trade. Hong Kong: Asian Development Bank.
- Adelman J.*, 1994. Post-Populist Argentina. – *New Left Review*, N 203, January-February.
- AI (Amnesty International)*, 2002. The Russian Federation: Denial of Justice. L.: Amnesty International Publications.
- Akamatsu K.* A Historical Pattern of Economic Growth in Developing Countries. – *The Developing Economies*, 1962, vol. 1, N 1, March – August.
- Alagappa M.*, 1988. Comprehensive Security: Interpretations in ASEAN Countries. – In: *Asian Security Issues. Regional and Global*. Ed. by R. A. Scalapino, S. Sato, J. Wanandi, and Sung-joo Han. (Institute of East Asian Studies. University of California. Berkeley. Research Papers and Policy Studies, N 26).
- Alatas S.H.*, 1970. Religion and Modernization in Southeast Asia. – In: *Archives Européennes de Sociologie. Tome XI, N 2*. P.: Plon.
- Alatas S.H.*, 1972. Modernization and Social Change: Studies in modernization, religion, social change and development in South-East Asia. Sydney e. a.: Angus and Robertson Publishers.
- Amin S.*, 1991. L'empire du chaos: La nouvelle mondialisation capitaliste. P.: L'Harmattan.
- Amsden A.H.*, 1989. The Next Asia's Giant: South Korea and Late industrialization. N.Y., Oxford: Oxford University Press.
- Amsden A.H.*, 2001. The Rise of "the Rest": Challenges to the West from Late-Industrializing Economies. Oxford, N.Y.: Oxford University Press.

- Ashton D.*, 2002. Explaining Change in National HRD Strategies: The Case of Three Asian Tigers. – *The European Journal of Development Research*, vol. 14, N 1, June.
- Aspalter Ch.*, 2001. Conservative Welfare State Systems in East Asia. Westport (Conn.), L.: Praeger.
- Bagchi A.K.*, 1998. Growth Miracle and Its Unravelling in East and South-East Asia. Unregulated Competitiveness and Denouement of Manipulation by International Financial Community. – *Economic and Political Weekly*, vol. XXXIII, N 18, May 2-8.
- Bagchi A.K.*, 2000. The Past and the Future of the Developmental State. – *Journal of World-Systems Research*, vol. 6, N 2, Summer/Fall.
- Bagchi A.K.*, 2002. Governance in East and Southeast Asia: What's New? – *The European Journal of Development Research*, vol. 14, N 1, June.
- Bairoch P.*, 1971. *Le Tiers-Monde dans l'impasse: Le démarrage économique du XVIII-e au XX siècle*. P.: Gallimard.
- Bastos M.I.*, 1994. How International Sanctions Worked: Domestic and Foreign Political Constraints on the Brazilian Informatics Policy. – *The Journal Of Development Studies*, vol. 30, N 2, January.
- Bastos M.I.*, 1995. State Autonomy and Capacity for S&T Policy Design and Implementation in Brazil. – In: *Politics and Technology in Latin America*. Ed. by M.I. Bastos and Ch. Cooper. L., N.Y.: Routledge.
- Bell D.*, 1995. Democracy in Confucian Societies: The Challenge of Justification. – In: *Bell D. e. a. Towards Illiberal Democracy in Pacific Asia*. L.: Macmillan.
- Berger P.*, 1988. An East Asian Development Model? – In: *In Search of the East Asian Development Model*. Ed. by P. Berger and H.-H. M. Hsiao. New Brunswick, Oxford: Transaction Books.

- Berle A. A., jr.*, 1954. *The 20-th Century Capitalist Revolution*. N.Y.: Harcourt, Brace & Co.
- Berle A. A., jr.*, 1959. *Power without Property: A New Development in American Political Economy*. N.Y.: Harcourt, Brace & Co.
- Berle A. A., jr., Means G. C.*, 1932. *The Modern Corporation and Private Property*. N.Y., Chicago, Washington, D.C.: Commerce Clearing House.
- Besson D., Lantéri M.*, 1994. *ANSEA: La décennie prodigieuse. Essai sur le développement en Asie du Sud-Est. – Notes et études documentaires, N 4992*.
- Bidet E.*, 2003. *Corée du Sud: Leçons et impact de la crise. – In: Après la crise... Les économies asiatiques face aux défis de la mondialisation. Sous la dir. de J.-M.Bouissou, D.Hochraich, Ch.Milelli. P.: Karthala*.
- Bobrovnikov A.*, 2002. *La dinámica ondularia en la economía periférica. La ponencia en Tercer Congreso Europeo de Latinoamericanistas "Cruzando Fronteras en América Latina". Amsterdam, 3-6 de julio (on CD). Amsterdam: Radio Nederlands Wereldomroep*.
- Bouissou J.-M., Hochraich D., Milelli Ch.*, 2003. *Introduction. – In: Après la crise... Les économies asiatiques face aux défis de la mondialisation. Sous la dir. de J.-M.Bouissou, D.Hochraich, Ch.Milelli. P.: Karthala*.
- Braudel F.*, 1979. *Civilisation matérielle, économie et capitalisme, XVe-XVIIIe siècle. Tome 2. Les jeux de l'échange. (Chapitre 5. La société ou "l'ensemble des ensembles". Observer à la verticale: le nombre restreint des privilégiés.) P.: Armand Colin*.
- Braudel F.*, 1992. *Civilization and capitalism, 15-th – 18-th Century. Translation from the French by Siân Reynolds. Vol. II: The Wheels of Commerce. Berkeley, Los Angeles: University of California Press*.

- Bresser Pereira L.C.*, 1977. *Desenvolvimento e Crise no Brasil*. 7-a ed. São Paulo: Editora Brasiliense.
- Bresser Pereira L.C.*, 1984. *Development and Crisis in Brazil, 1930-1983*. Translated from Portuguese. Boulder (Col.), L.: Westview Press.
- Briones A.*, 1978. *Economía y política del fascismo dependiente*. Mexico: Siglo XXI.
- Brook T., Luong H.V.*, 2000. Introduction: Culture and Economy in the Postcolonial World. – In: *Culture and Economy: The Shaping of Capitalism in East Asia*. Ed. by T. Brook and Hy V. Luong. Ann Arbor: The University of Michigan Press (1-st print – 1997).
- Bruce Jacobs J. B.* Paradoxes in the politics of Taiwan: Lessons for comparative politics. – *Politics*, 1978, vol. XIII, N 2, November.
- Bullard N., Bello W., Malhorta K.*, 1998. *Taming the Tigers: The IMF and the Asian Crisis*. – In: *Tigers in Trouble: Financial Governance, Liberalisation and Crises in East Asia*. Ed. by K.S. Jomo. Hong Kong: Hong Kong University Press (first published by Zed Books in London and New York).
- Burkett P., Hart-Landsberg M.*, 2000. *Development, Crisis, and Class Struggle: Learning from Japan and East Asia*. Houndmills, Basingstoke, L.: Macmillan.
- Burnham J.*, 1941. *The Managerial Revolution: What Is Happening in the World*. N.Y.: John Day Co.
- Camdessus M.*, 1997. *The Asian Crisis and the International Response*. Address by Managing Director of the International Monetary Fund at the Institute of Advanced Business Studies (IESE) of the University of Navarra. Barcelona, November 28, 1997 (<http://www.imf.org/np/speeches/1997/mds9717.htm>).
- Camdessus M.*, 1998. *Crisis in Emerging Market Economies: the Road to Recovery*. Address by Managing Director of the International Monetary Fund to European-American Business

- Council, New York, September 15, 1998 (<http://www.imf.org/external/np/speeches/1998/091598.htm>).
- Cardoso E., Helwege A.*, 1992. Latin America's Economy: Diversity, trends, and Conflicts. Cambridge (Mass.), L.: The MIT Press (paperback edition – 1995).
- Cardoso F.H.*, 1972. Empresário Industrial e Desenvolvimento Econômico no Brasil. 2-a ed. São Paulo: Difusão Europeia do Livro.
- Cardoso F.H.*, 1973. Associated-Dependent Development: Theoretical and Practical Implications. – In: Authoritarian Brazil: Origins, Policies, and Future. Ed. by A. Stepan. New Haven, L.: Yale University Press.
- Cardoso F.H.*, 1977. O Modelo Político Brasileiro e Outros Ensaio. 3-ra ed., Rio de Janeiro, São Paulo: Difel.
- Cardoso F.H.*, 1978. On the Characterisation of Authoritarian Regimes in Latin America. (University of Cambridge. Centre of Latin American Studies. Working papers N 31.) Cambridge: Cambridge University.
- Cardoso F.H.*, 1979. On the Characterization of Authoritarian Regimes in Latin America. – In: The New Authoritarianism in Latin America. Ed. by D. Collier. Princeton (N. J.): Princeton University Press.
- Cardoso F.H.*, 2004. Más allá de la economía: Interacciones de la política y desarrollo económico. – Revista de la CEPAL, N 83, agosto.
- Cardoso F.H., Faletto E.*, 1970. Dependencia y desarrollo en América Latina. Ensayo de interpretación sociológica. (1-ra edición – 1969). México: Siglo XXI.
- Cardoso F.H., Faletto E.*, 1978. Dependency and Development in Latin America. Translated by Marjory Mattingly Urguidi. Berkeley, Los Angeles, L.: University of California Press.

- Carneiro Vieira J.P.*, 1976. Le «citoyen-consommateur» en échec: Industrialisation monopoliste périphérique et ascension des nouvelles couches moyennes au Brésil. – Revue Tiers-Monde, tome XVII, N 68, octobre-décembre.
- Carnoy M., Castells M., Cohen S.S., Cardoso F.H.*, 1993. The New Global Economy in the Information Age: Reflections on World. University Park (Pa): Pennsylvania State University Press.
- Carton M.*, 1984. L'éducation et le monde de travail. P.: UNESCO
- Castells M.*, 1998. The Information Age: Economy, Society and Culture. Vol. III. End of Millennium. Oxford (U.K.), Malden (Ma): Blackwell Publishers.
- Castells M., d'Andrea Tyson L.*, 1988. High-Technology Choices Ahead: Restructuring Interdependence. – In: Growth, Exports, and Jobs in a Changing World Economy: Agenda 1988. Ed. by J.W. Sewell and St. K. Tucker. New Brunswick (N.J.), Oxford: Transactions Books.
- Cattapan-Reuter E.*, 1984. L'industrie à l'époque de 'l'Encilhamento'. – In: La préindustrialisation du Brésil: Essais sur une économie en transition, 1830/50 – 1930/50. Sous la dir. de Frédéric Mauro. P.: Éditions du CNRS.
- CEPAL*, 1964. Problemas y perspectivas del desarrollo industrial latinoamericano. Buenos Aires: Solar/Hachette.
- CEPAL*, 1985. La crisis en América Latina: Su evaluación y perspectivas. Santiago de Chile: NU.
- CEPAL*, 1988. Las transformaciones tecnológicas mundiales y sus consecuencias para América Latina y el Caribe. Rio de Janeiro: NU.
- CEPAL*, 1990. Transformación productiva con equidad. La tarea prioritaria del desarrollo de América Latina y el Caribe en los años noventa. Santiago de Chile: NU.

- CEPAL*, 1998a. Estudio Económico de América Latina. – In: CEPAL. Cincuenta años de pensamiento en la CEPAL. Textos seleccionados. Volumen I. Santiago de Chile, México, D.F.: Fondo de cultura económica, NU (the first publication – 1949).
- CEPAL*, 1998b. Políticas de ajuste y renegociación de la deuda externa en América Latina. – In: CEPAL. Cincuenta años de pensamiento en la CEPAL. Textos seleccionados. Volumen II. Santiago de Chile, México, D.F.: Fondo de cultura económica, NU.
- CEPAL*, 1998c. Transformación y crisis en América Latina y el Caribe. – In: CEPAL. Cincuenta años de pensamiento en la CEPAL. Textos seleccionados. Volumen II. Santiago de Chile, México, D.F.: Fondo de cultura económica, NU.
- CEPAL*, 1999a. Balance preliminar de las economías de América Latina y el Caribe, 1999. Santiago de Chile: NU.
- CEPAL*, 1999b. Panorama social de América Latina 1998. Santiago de Chile: NU.
- CEPAL*, 2000a. Balance preliminar de las economías de América Latina y el Caribe, 2000. Santiago de Chile: NU.
- CEPAL*, 2000b. Equidad, desarrollo y ciudadanía. (Documento preparado al XXVIII período de sesiones de la CEPAL, México, D.F., 3 al 7 de abril 2000). Santiago de Chile: NU.
- CEPAL*, 2000c. Panorama social de América Latina 2000. Santiago de Chile: NU.
- CEPAL*, 2001a. Balance preliminar de las economías de América Latina y el Caribe, 2001. Santiago de Chile: NU.
- CEPAL*, 2001b. Panorama social de América Latina 2000-2001. Santiago de Chile: NU.
- CEPAL*, 2002. Globalización y desarrollo. (Documento preparado al XXIX período de sesiones de la CEPAL, Brasilia, 6 al 10 de mayo de 2002). Santiago de Chile: NU.

- CEPAL*, 2003. Panorama social de América Latina 2002-2003. Santiago de Chile: NU.
- CEPAL*, 2004a. Balance preliminar de las economías de América Latina y el Caribe, 2004. Santiago de Chile: NU.
- CEPAL*, 2004b. Desarrollo productivo en economías abiertas. (Documento preparado al XXX período de sesiones de la CEPAL, San Juan, Puerto Rico, 28 de junio al 2 de julio de 2004). Santiago de Chile: NU.
- CEPAL*, 2004c. Panorama social de América Latina 2004. Santiago de Chile: NU.
- CEPAL*, 2005a. Balance preliminar de las economías de América Latina y el Caribe, 2005. Santiago de Chile: NU.
- CEPAL*, 2005b. Panorama social de América Latina 2005. Síntesis. La versión preliminar (on-line version - http://www.cepal.org/publicaciones/DesarrolloSocial/8/LCG2288PE/PSE2005_Sintesis_Lanzamiento.pdf).
- CEPAL*, 2006. Panorama social de América Latina 2005. Santiago de Chile: NU.
- CEPAL/ECLA*, 1981. Anuario Estadístico de América Latina/Statistical Yearbook for Latin America 1979. N.Y.: UN.
- CEPAL/ECLAC*, 1987. Anuario Estadístico de América Latina y el Caribe /Statistical Yearbook for Latin America and the Caribbean 1986.N.Y.: NU.
- CEPAL/ECLAC*, 1993. Anuario Estadístico de América Latina y el Caribe /Statistical Yearbook for Latin America and the Caribbean 1992. Santiago de Chile: NU.
- CEPAL/ECLAC*, 2001. Anuario Estadístico de América Latina y el Caribe /Statistical Yearbook for Latin America and the Caribbean 2000. Santiago de Chile: NU.

- CEPAL/ECLAC, 2005. Anuario Estadístico de América Latina y el Caribe /Statistical Yearbook for Latin America and the Caribbean 2004. Santiago de Chile: NU.
- Chandrasekhar C.P., Ghosh J., 2001. The Fragile Foundations of the Southeast Asian Miracle: Relocative Capital, the Proliferation of Capitalism and industrial Growth. – In: Southeast Asia's Industrialization: Industrial Policy, Capabilities and Sustainability. Ed. by K.S. Jomo. Houndmills, Basingstoke, N.Y.: Palgrave.
- Chaponnière J.R., 1997. La politique industrielle des tards-venus. Analyse comparative de la Corée, de Taïwan, de la Malasie et de la Thaïlande. – In: GEMDEV. États, politiques publiques et développement en Asie de l'Est. Sous la dir. de Catherine Choquet. P.: Karthala.
- Chew Ghim-Lian P., 2004. Sons and Daughters: Benevolent Patriarchy in Singapore. –NIASnytt Asia Insights (Nordic Institute of Asian Studies, Copenhagen), March, N 1.
- Chin Kok Fay, 2001. Financing Manufacturing in Malaysia: Experience, Issue and Challenges. – In: Southeast Asia's Industrialization: Industrial Policy, Capabilities and Sustainability. Ed. by K.S. Jomo. Houndmills, Basingstoke, N.Y.: Palgrave.
- Chin Kok Fay, Nordhaug K. Why Are There Differences in the Resilience of Malaysia and Taiwan to Financial Crisis? – The European Journal of Development Research, 2002, vol. 14, N 1, June.
- Chung Sung Chul, 2001. The Research, Development and Innovation System in Korea. – In: Research and Innovation Policies in the New Global Economy: An International Comparative Analysis. Ed. by Ph. Larédo and Ph. Mustar. Cheltenham (UK), Northampton (Ma): Edward Elgar.

- Collier D.*, 1979. Overview of the Bureaucratic-Authoritarian Model. – In: *The New Authoritarianism in Latin America*. Ed. by D. Collier. Princeton (N. J.): Princeton University Press.
- Conceição Tavares M. da*, 1964. The Growth and Decline of Import Substitution in Brazil. – ECLA. *The Economic Bulletin for Latin America*, vol. IX, N 1, March.
- Conceição Tavares M. da*, 1975. *Da Substituição de Importações ao Capitalismo Financeiro: Ensaio sobre Economia Brasileira*. 4-ra ed. Rio de Janeiro: Zahar.
- Conceição Tavares M. da*, 1998. El proceso de sustitución de las importaciones como modelo de desarrollo reciente en América Latina. – In: CEPAL. *Cincuenta años de pensamiento en la CEPAL. Textos seleccionados. Volumen 1*. Santiago de Chile, México, D.F.: Fondo de cultura económica, NU.
- Confucius*, 1966. *The Shū King*. – In: *The Sacred Books of China. The Texts of Confucianism*. (The Sacred Books of the East series, vol. III). Translated by J. Legge. Delhi, Varanasi, Patna: Motilal Banarsidass (First published by the Clarendon Press, 1879).
- Couto e Silva G. do*, 1981. *Conjuntura Política Nacional, o Poder Executivo & Geopolítica do Brasil*. Rio de Janeiro: Olympio.
- Cumings B.*, 1987. The Origins and Development of the Northeast Asian Political Economy: Industrial Sectors, Product Cycles, and Political Consequences. – In: *The Political Economy of the New Asian Industrialisation*. Ed. by F.C. Deyo. Ithaca (N.Y.), L.: Cornell University Press.
- Desai R.*, 1994. Second-Hand Dealers in Ideas: Think-Tanks and Thatcherite Hegemony. – *New Left Review*, N 203, January-February.

- Deyo F.C.*, 1987. Introduction [to]. – In: *The Political Economy of the New Asian Industrialism*. Ed. by Frederic C. Deyo. Ithaca (N.Y.), L.: Cornell University Press.
- Deyo F.C.*, 1987. State and Labor: Modes of Political Exclusion in East Asian Development. – In: *The Political Economy of the New Asian Industrialism*. Ed. by Frederic C. Deyo. Ithaca (N.Y.), L.: Cornell University Press.
- [The] Dhammapada (A Collection of Verses)*, 1965. Translated from Pāli by F. Max Müller. – In: *The Sacred Books of the East Series*, vol. X, part I. Ed. by F. Max Müller. Delhi, Varanasi, Patna: Motilal Banarsidass (First published in 1881 by the Oxford University Press,).
- Djilas M.*, 1957. *The New Class. An Analysis of the Communist System*. N.Y.: Praeger.
- Dos Santos Th.*, 1999. Neoliberalismo: doctrina y política. – *Comercio exterior*, vol. 49, N 6.
- Drucker P.*, 1998. Pereosmyslivaya Budushcheye (Rethinking the Future) (Interview). – *Svobodnaya Mysl (The Free Thought)*, N 8, August (in Russian).
- ECE (The United Nations Economic Commission for Europe)*, 1993. *Economic Survey of Europe in 1992-1993*. N.Y. UN.
- ECLAC*, 1984. *Economic Survey of Latin America and the Caribbean*, 1983. N.Y.: UN.
- ECLAC*, 1993. *Economic Survey of Latin America and the Caribbean*, 1992. N.Y.: UN.
- Eisenstadt S.N.*, 1973. *Traditional Patrimonialism and Modern Neopatrimonialism*. Beverly Hills, L.: Sage.
- Erber F.S.*, 1995. *The Political Economy of Technology Development: The case of the Brazilian Informatics Policy*. – In: *Politics and Technology in Latin America*. Ed. by M.I. Bastos and Ch. Cooper. L., N.Y.: Routledge.

- ESCAP (United Nations Economic and Social Commission for Asia and the Pacific)*, 1980. Statistical Yearbook for Asia and the Pacific 1980. Bangkok: UN.
- ESCAP*, 1990. Statistical Yearbook for Asia and the Pacific 1990. Bangkok: UN.
- ESCAP*, 2001. Economic and Social Survey of Asia and the Pacific, 2001. N.Y.: UN.
- ESCAP*, 2004. Economic and Social Survey of Asia and the Pacific, 2004. N.Y.: UN.
- Evans P.*, 1979. Dependent Development. The Alliance of Multinational, State, and Local Capital in Brazil. Princeton (N.J.): Princeton University Press.
- Ezaki M.*, 1998. Globalization and Economic Development: The Newly Industrializing Area of East Asia. – In: East Asian Development: Will the East Asian Growth Miracle Survive? Ed. by F.G. Adams and S. Ichimura. Westport (Conn.), L.: Praeger.
- Fairbank J. K., Reischauer E. O., Craig A. M.*, 1973. East Asia: Tradition and Transformation. L.: Allen & Unwin
- Fajnzylber F.*, 1989. Sobre la Impostergable Transformación Productiva de América Latina. – Pensamiento Iberoamericano. Madrid, N 16, Julio-Diciembre.
- Faravel-Garrigues G.*, 2004. Privatisation and Political Change in Soviet and Post-Soviet Russia. – In: Privatising the State. Ed. by B. Hibou. Translated from the French by J. Derrick. L.: Hurst & Co (in association with the Centre d'Études et de Recherches Internationales, Paris).
- Fehér F., Heller A., Márkus G.*, 1983. Dictatorship over Needs. N.Y.: St. Martin's Press.
- Felipe J.*, 1999. Total Factor Productivity Growth in East Asia: A Critical Survey. – In: The Journal of Development Studies, vol. 35, N 4, April.

- Felker G.*, 2001. The Politics of Industrial Investment Policy Reform in Malaysia and Thailand. – In: Southeast Asia's Industrialization: Industrial Policy, Capabilities and Sustainability. Ed. by K.S. Jomo. Houndmills, Basingstoke, N.Y.: Palgrave.
- Felker G.*, 2003. Technology Policies and Innovation Systems in Southeast Asia. – In: Southeast Asian Paper Tiger? From Miracle to Debacle and Beyond. Ed. by K.S. Jomo. L., N.Y.: Routledge, Curzon.
- Ferranti D. de, Perry G.E., Ferreira F.H.G., Walton M.*, 2004. Inequality in Latin America: Breaking with History? Washington, D.C.: The World Bank.
- Ferranti D. de, Perry G.E., Gill I., Guasch J.L. e. a.*, 2003. Closing the Gap in Education and Technology. Washington, D.C.: The World Bank.
- Fiori J. L.*, 2001. Pour un diagnostic de la "modernisation" brésilienne. – Revue Tiers Monde, tome XLII, N 167 (juillet-septembre).
- Fleming D., Søborg H.*, 2002. Dilemmas of a Proactive Human Resource Development Policy in Malaysia. – The European Journal of Development Research, 2002, vol. 14, N 1, June.
- Foursov A.*, 1996. Communism, Capitalism, and Bells of History. – Review, vol. XIX, N 2 (Spring).
- Frank A.G.*, 2005. East and West. – In: Dar al Islam. The Mediterranean, the World System and the Wider Europe: The "Cultural Enlargement" of the EU and Europe's Identity. Ed. by P. Herrmann and A. Tausch. Hauppauge (N. Y.): Nova Science Publishers.
- Fröbel F.*, 1983. Política económica en la crisis: Algunas observaciones desde la perspectiva de los países

- industrializados. – In: *Transnacionalización y periferia semindustrializada*, tomo I. Ed. por I. Minian. México: CIDE.
- Fröbel F., Heinrichs J., Kreye O.*, 1980. *The New International Division of Labour: Structural Unemployment in Industrialised Countries and Industrialisation in Developing Countries*. Translated from German. L. e. a.: Cambridge University Press, P.: La Maison des Sciences de l'Homme.
- Furtado C.*, 1972. *Análise do "Modelo" Brasileiro*. 3-ra ed. Rio de Janeiro: Paz e Terra.
- Furtado C.*, 1972. *Breve historia económica de América Latina*. La Habana: Ciencias Sociales.
- Galeano E.*, 1971. *Las venas abiertas de la América Latina*. La Habana: Casa de las Américas.
- Gereffi G.*, 1998. *More than the Market, More than the State: Global Commodity Chains and Industrial Upgrading in East Asia*. – In: *Beyond the Developmental State: East Asia's Political Economies Reconsidered*. Ed. by S. Chan, C. Clark and D. Lam. Houndmills, Basingstoke, L.: Macmillan, N.Y.: St. Martin's Press.
- Gerschenkron A.*, 1979. *Economic Backwardness in Historical Perspective. A Book of Essays*. Cambridge (Mass.), L.: The Belknap Press (1-st printing – 1962).
- Gilbert I.*, 1973. *Le "geant vert" brésilien a les dents longues*. – *La France nouvelle*, N 1438, 5-11 de juin.
- Globalbarometer*, 2002. *East Asia 2001-2002 – The Recent Situation and Expectations for the Future* (available online: <http://www.globalbarometer.org/governanceindicators/changefrompastnationaleconomy.htm>; <http://www.globalbarometer.org/governanceindicators/futurenationaleconomy.htm>).
- Goh Keng Swee*, 1995a. *The Economics of Modernization*. – In: *Goh Keng Swee. The Economics of Modernization*. Singapore:

- Federal Publications (First published by Asia Pacific Press, 1972).
- Goh Keng Swee*, 1995b. Man and Economic Development. – In: Goh Keng Swee. The Economics of Modernization. Singapore: Federal Publications (First published by Asia Pacific Press, 1972).
- Goh Keng Swee*, 1995c. A Socialist Economy that Works. – In: Goh Keng Swee. The Practice of Economic Growth. Singapore e. a.: Federal Publications (First published in 1977).
- Gómez E.T., Jomo K.S.*, 1997. Malaysia's Political Economy: Politics, Patronage and Profits. Cambridge (UK): Cambridge University Press.
- Gómez Vega C.*, 2004. El desarrollo de la industria de la maquila en México. – Problemas del desarrollo, Vol. 35, N 138, julio-septiembre.
- Gordon L.A., Nazimova A.K.*, 1985. Rabochiy class SSSR: Tendentsii i perspektivy social'no-economocheskogo razvitiya (The Working Class of the USSR: Tendencies and Perspectives of the Social-Economic Development). M.: Nauka Publishing House (in Russian).
- Guiguet P., Simon J.-Ch.*, 1999. La gestion de l'emploi, obstacle à un nouveau régime de croissance dans les pays industriels d'Asie du Sud-Est. – Revue Tiers-Monde, N 158, avril-juin.
- Gyllenhammar P.G.*, 1977. People at Work. Reading (Mass.): Addison-Wesley.
- Harris N.*, 1986. The End of the Third World: Newly Industrializing Countries and the Decline of an Ideology. L.: I.B. Tauris & Co. Publishers.
- Harrison S. S.*, 1987. Dateline South Korea: A Divided Seoul. – Foreign Policy, summer, N 67.

- Hatch W., Yamamura K.*, 1996. *Asia in Japan's Embrace: Building a Regional Production Alliance*. Cambridge (UK): Cambridge University Press.
- Hernandez Z.*, 2004. *Industrial Policy in East Asia: In Search for Lessons*. (Background paper prepared for the World Development Report 2005: A Better Investment Climate for Everyone). Washington, D.C.: The World Bank (also available at:
http://siteresources.worldbank.org/INTWDR2005/Resources/wdr2005_industrial_policy_eastasia2.pdf).
- Hersh J.*, 1993 *The USA and the Rise of East Asia since 1945. Dilemmas of the Postwar International Political Economy*. Houndmills, Basingstoke, L.: Macmillan, N.Y.: St. Martin's Press.
- Hersh J.*, 1998. *The Impact of US Strategy: Making Southeast Asia Safe for Capitalism*. – In: *Social Change in Southeast Asia*. Ed. by J.D. Schmidt, J. Hersh and N. Fold. Harlow (Essex), N.Y.: Addison Wesley Longman.
- Hettne B.*, 1992. *Development Theory and the Three Worlds*. Harlow (Essex): Longman Scientific & Technical (1-st print – 1990).
- Hibou B.*, 2004. *From Privatising the Economy to Privatising the State*. – In: *Privatising the State*. Ed. by B. Hibou. Translated from the French by J. Derrick. L.: Hurst & Co (in association with the Centre d'Études et de Recherches Internationales, Paris).
- Hirschman A.O.*, 1968. *The Political Economy of Import-Substituting Industrialization in Latin America*. – *The Quarterly Journal of Economics*, vol. LXXXII, N 1, February.
- Hirschman A.O.*, 1979. *The Turn to Authoritarianism in Latin America and the Search for Its Economic Determinants*. – In: *The New Authoritarianism in Latin America*. Ed. by D. Collier. Princeton (N. J.): Princeton University Press.

- Hirschman A.O.*, 1987. The Political Economy of Latin American Development: Seven Exercises in Retrospection. – Latin American Research Review, vol. XXII, N 3.
- Hofheintz R., jr., Calder K.E.*, 1982. The Eastasia Edge. N.Y.: Basic Books.
- Holland L.*, 2001. A Lesson in Race Relations. – Far Eastern Economic Review, June 7 (available online: http://www.feer.com/articles/2001/0106_07/p028region.html).
- Holloway D.*, 1981. War, Militarism and the Soviet State. N.Y.: Institute for World Order.
- Hsiao H.-H. M.*, 1988. An East Asian Development Model: Empirical Explorations. – In: In Search of the East Asian Development Model. Ed. by P. Berger and H.-H. M. Hsiao. New Brunswick, Oxford: Transaction Books.
- Huntington S.*, 1997. The Clash of Civilizations and the Remaking of World Order. New Delhi: Penguin Books India (First published by Simon & Schuster in 1996).
- IADB*, 1998. Economic and Social Progress in Latin America. 1998-1999 Report. Facing Up to Inequality in Latin America. Washington, D.C.: IADB with the John Hopkins University Press.
- IADB*, 2003. Economic and Social Progress in Latin America. 2004 Report. Good Jobs Wanted: Labor Markets in Latin America. Washington, D.C.: IADB with the John Hopkins University Press.
- IBGE (Instituto Brasileiro de Geografia e Estatística)*, 1989. Anuario Estatístico do Brasil 1989. Rio de Janeiro: IBGE.
- ILO (International Labour Office)*, 1986. Yearbook of Labour Statistics /Annuaire des statistiques du travail /Anuario de estadísticas del trabajo, 1986. Geneva: ILO.
- ILO*, 1991. Yearbook of Labour Statistics /Annuaire des statistiques du travail /Anuario de estadísticas del trabajo, 1991. Geneva: ILO.

- IMF*, 1997a. Thailand – Memorandum on Economic Policies, August 1997, submitted to the IMF – <http://www.imf.org/external/np/loi/081497.htm>
- IMF*, 1997b. Korea – Memorandum on the Economic Programme, December 1997, submitted to the IMF – <http://www.imf.org/external/np/loi/120397.htm>
- Inozemtsev V.L.*, 1998. *The Constitution of the Post-Economic State: Post-Industrial Theories and Post-Economic trends in the Contemporary World. With Foreword by Mikhael Gorbachev.* Aldershot e. a.: Ashgate.
- Inozemtsev V.L.*, 2001. *One World Divided: Existing Causes and Possible Results of the Coming Post-Economic Revolution.* Leeds: Wisdom House.
- ISIS (the Institute of Strategic and International Studies)*, 2002. *Knowledge-Based Economy. Master Plan.* Kuala Lumpur: ISIS.
- Ito T.*, 2001. *Growth, Crisis, and the Future of Economic Recovery in East Asia.* – In: *Rethinking the East Asian Miracle.* Ed. by J.E. Stiglitz and Sh. Yusuf. N.Y., Washington, D.C.: Oxford Univ. Press, World Bank.
- Ivzhenko T.*, 2003. 'Plesen' (A Mustiness). – *Nezavisimaya Gazeta*, October 31 (in Russian).
- Jacobs N.*, 1985. *The Korean Road to Modernization and Development.* Urbana, Chicago: University of Illinois Press.
- Jaguaribe H.*, 1997. Comment to: 'Economic Development in Latin America and the Need for A Theory of Functional Elites'. – In: *Economic and Social Development into the XXI Century.* Ed. by Louis Emmerij. Washington, D.C.: The Inter-American Development Bank.
- Jayasankaran S.*, 2002. *A Malaysian Duel over Islam.* – *Far Eastern Economic Review*, August 22 (available online: <http://www.feer.com/articles/2002/020822/p013region.html>).

- Johnson Ch.*, 1982. MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975. Stanford (Cal.): Stanford Univ. Press.
- Johnson Ch.*, 1982. MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975. Stanford (Cal.): Stanford Univ. Press.
- Johnson Ch.*, 1987. Political Institutions and Economic Performance: The Government-Business Relationship in Japan, South Korea, and Taiwan. – In: The Political Economy of the New Asian Industrialism. Ed. by F. Deyo. Ithaca (N.Y.), L.: Cornell University Press.
- Jomo K.S.*, 1997. Malaysia. – In: Jomo K.S. e. a. Southeast Asia's Misunderstood Miracle: Industrial Policy and Economic Development in Thailand, Malaysia and Indonesia. Ed. by K.S. Jomo. Boulder (Col.), Oxford: Westview Press.
- Jomo K.S.*, 2001a. From Currency Crisis to Recession. – In: Malaysian Eclipse: Economic Crisis and Recovery. Ed. by K.S. Jomo. L., N.Y.: Zed Books.
- Jomo K.S.*, 2001b. Globalisation, Liberalisation, Poverty and Income Inequality in Southeast Asia. (OECD Development Centre. Technical Papers Series, N 185). P.: OECD.
- Jomo K.S.*, 2001c. Introduction: Growth and Structural Change in the Second-Tier Southeast Asian NICs. – In: Southeast Asia's Industrialization: Industrial Policy, Capabilities and Sustainability. Ed. by K.S. Jomo. Houndmills, Basingstoke, N.Y.: Palgrave.
- Jomo K.S.*, 2001d. Rethinking the Role of Government Policy in Southeast Asia. – In: Rethinking the East Asian Miracle. Ed. by J.E. Stiglitz and Sh. Yusuf. N.Y., Washington, D.C.: Oxford Univ. Press, World Bank.

- Jomo K.S.*, 2004. The New Economic Policy and Interethnic Relations in Malaysia. (Identities, Conflict and Cohesion Programme Paper N 7). Geneva: UNRISD (United Nations Research Institute for Social Development).
- Jones E.L.*, 1981. The European Miracle: Environments, Economies, and Geopolitics in the History of Europe and Asia. Cambridge e. a.: Cambridge University Press.
- Jones E.L.*, 2002. The Record of Global Economic Development. Cheltenham (UK), Northampton (Ma, USA): Edward Elgar.
- Katz J.*, 1999. Reformas estructurales y comportamiento tecnológico: Reflexiones en torno a las fuentes y naturaleza del cambio tecnológico en América Latina en los años noventa. (CEPAL. Serie "Reformas económicas", N 13). Santiago de Chile: NU.
- Khoo Boo Teik*, 2004. Managing Ethnic Relations in Post-Crisis Malaysia and Indonesia: Lessons from the New Economic Policy? (Identities, Conflict and Cohesion Programme Paper N 6). Geneva: UNRISD (United Nations Research Institute for Social Development).
- Khoros V., Pantin I., Plimak Ye.*, 1988. The Russian Revolutionary Tradition. Translated from Russian. Moscow: Progress Publishers.
- Khunkitti S.*, 2002. Technology and Development Policy in Poverty Reduction: The Case of Thailand. – In: Technology and Poverty Reduction in Asia and the Pacific. /Ed. by Jorge Braga de Macedo and Tadao Chino/. P.: OECD – ADB.
- Kim Jung Min*, 2001. Grooming a Science Elite. – Far Eastern Economic Review, August 2 (available online: http://www.feer.com/articles/2001/0108_02/p036innov.html).
- Kim Jung Min*, 2003. Stalled Reform. – Far Eastern Economic Review, June 26 (available online: http://www.feer.com/articles/2003/0306_26/p020region.html).

- Korhonen P.*, 1994. The Theory of the Flying Geese Pattern of Development and Its Interpretations. – Journal of Peace Research, vol. 31, N 1.
- Krassilchtchikov V.*, 2003. The Russian Tragedy: From Catching up Development to Decline. – In: Eurasian Vision (Felicitation Volume on the 70-th Birthday of Professor Devendra Kaushik). Ed. by Mahavir Singh and Victor Krassilchtchikov. New Delhi: Anamika Publishers.
- Krassilchthcikov (Krasilshchikov) V.*, 1993. Orientiry griadushchego? Postindustrial'noye Obshchestvo i Paradoxy Istorii. (The Orientations for Future? Post-Industrial Society and the Paradoxes of History). – Obshchestvennye Nauki i Sovremenntost' (The Social Sciences and Contemporaneity), N 2, March-April (in Russian).
- Krugman P.*, 1994. The Myth of Asia's Miracle. – *Foreign Affairs*, N 6, November-December.
- Kryshtanovskaya O.*, 1996. The Emerging Russian Elite: Old and New. – In: The Aftermath of 'Real Existing Socialism' in Eastern Europe. Vol. 1: Between Western Europe and East Asia. Ed. by J. Hersh and J.D. Schmidt. Houndmills, Basingstoke, L.: Macmillan Press.
- Kuo Sh.W.Y., Fei J.C.H.*, 1985. Causes and Roles of Export Expansion in the Republic of China. – In: Foreign Trade and Investment: Economic Development in the Newly Industrializing Asian Countries. Ed. by W. Galenson. Madison (Wis.): The University of Wisconsin Press.
- LaFeber W.*, 1991. America, Russia, and the Cold War 1945-1990. 6-th ed. N.Y. e. a.: McGraw-Hill.
- Lam D., Clark C.*, 1998. The Cultural Roots of "Guerrilla Capitalism" in Taiwan. – In: Beyond the Developmental State: East Asia's Political Economies Reconsidered. Ed. by S. Chan, C. Clark and

- D. Lam. Houndmills, Basingstoke, L.: Macmillan, N.Y.: St. Martin's Press.
- Larkin J.*, 2002. Samsung Tries to Snatch Sony's Crown. – Far Eastern Economic Review, October 10 (available online: http://www.feer.com/articles/2002/0210_10/p036innov.html).
- Latinobarómetro*, 2004. Informe – Resumen. Encuesta Latinobarómetro 2004. Una década de mediciones – una década de evolución. Santiago de Chile: Latinobarómetro.
- Latukhina K. e. a.*, 2004. "Platinovyi" Tour dlya Stolpov Vertikalni Vlasti ("Platinum's" tour for Pillars of the Authority Vertical). – Nezavisimaya Gazeta, April 22 (in Russian).
- Lau L.J.*, 1998. The Sources of East Asian Economic Growth. – In: East Asian Development: Will the East Asian Growth Miracle Survive? Ed. by F.G. Adams and Sh. Ichimura. Westport (Conn.), L.: Praeger.
- Lauridsen L.S.*, 2002. Coping with the Triple Challenge of Globalisation, Liberalisation and Crisis: The Role of Industrial Technology Policies and Technology Institutions in Thailand. – The European Journal of Development Research, vol. 14, N 1, June.
- Lautier M.*, 1999. Les paradoxes des restructurations industrielles en Corée du Sud. – Revue Tiers Monde, tome XL, N 160, octobre-decembre.
- Lawson S.*, 1998. Confucius in Singapore: Culture, Politics, and the PAP State. – In: Weak and Strong States in Asia-Pacific Societies. Ed. by P. Dauvergne. Canberra: Allen & Unwin Australia.
- Lee Ch. S.*, 1999. Battle of Wills. – Far Eastern Economic Review, August 26 (available online: http://www.feer.com/9908_26/p10cover.html).

- Lee Ch. S.*, 2001. Open Up. – Asiaweek, November (was available online <http://www.asiaweek.com/asiaweek/features/asiaweek1000.2001/s.coverstory.html>).
- Lee Ho-Chul, McNulty M.P.*, 2003. East Asia's Dynamic Development Model and the Republic of Korea's Experiences. (World Bank Policy Research Working Paper 2987). Washington, D.C.: World Bank (available online at: http://econ.worldbank.org/files/24755_wps2987.pdf).
- Lee K., Kim Byung-Kook, Lee Chung H., Yee Jaeyeol*, 2005. Visible Success and Invisible Failure in Post-Crisis Reform in the Republic of Korea: Interplay of Global Standards, Agents and Local Specificity. Wash., D.C.: World Bank (Policy research working paper 3651).
- Lee Kuan Yew*, 2000. From Third World to First. The Singapore Story: 1965-2000. Memoirs of Lee Kuan Yew. Singapore: Times.
- Lenin V.I.*, 1974a. The State and Revolution. – Collected Works (2nd printing). Translated from the Russian. Ed. by J. Katzer. Vol. 25. Moscow: Progress Publishers.
- Lenin V.I.*, 1974b. Can the Bolsheviks Retain State Power? – Ibid., vol. 26. Moscow: Progress Publishers.
- Lenin V.I.*, 1974c. The Immediate Tasks of the Soviet Government. – Ibid., vol. 27. Moscow: Progress Publishers.
- Lenin V.I.*, 1974d. "Left-Wing" Communism – An Infantile Disorder. – Ibid., vol. 31.
- Leys C.*, 1996. Rise and Fall of Development Theory. Oxford, Bloomington (In), Nairobi: James Currey, Indiana University press, East African Educational Publishers.
- Li Xing, Hersh J., Schmidt J.D.*, 2002. The New 'Asian Drama'. Catching-Up at the Crossroads of Neoliberalism. – In:

- Rethinking Development in East Asia: From Illusory Miracle to Economic Crisis. Ed. by P. Masina. Richmond: Curzon Press.
- Lin J. Yifu, Yao Yang*, 2001. Chinese Rural Industrialization in the Context of the East Asian Miracle. – In: Rethinking the East Asian Miracle. Ed. by J.E. Stiglitz and Sh. Yusuf. N.Y., Washington, D.C.: Oxford Univ. Press, World Bank.
- Lipietz A.*, 1982. Towards Global Fordism? – *New Left Review*, N 132, March-April.
- Lipietz A.*, 1983. L'impérialisme, ou la bête de l'Apocalypse: Modestes considérations sur la mouvante division internationale du travail. – *Les temps modernes*, an. 40, N 447, octobre.
- Lipietz A.*, 1986. Les mirages et miracles: Problèmes de l'industrialisation dans le tiers monde. P.: La Découverte.
- Low L.*, 1998. The Political Economy of a City-State: Government-Made Singapore. Singapore: Oxford University Press.
- Low L.*, 2001. The Role of the Government in Singapore's Industrialization. – In: Southeast Asia's Industrialization: Industrial Policy, Capabilities and Sustainability. Ed. by K.S. Jomo. Houndmills, Basingstoke, N.Y.: Palgrave.
- Low L., Ngiam Tee Liang*, 1999. An Underclass among the Overclass. – In: Singapore: Towards a Developed Status. Ed. by L. Low. Singapore, Oxford: Oxford University Press.
- Low L., Toh M.H., Soon T.W.*, 1991. Economics of Education and Manpower Development: Issues and Policies in Singapore. Singapore e. a.: McGraw-Hill.
- Lucas R.E. jr.*, 1993. Making a Miracle. – *Econometrica*, vol. 61, N 2, March.
- Luxemburg R.*, 1963. The Accumulation of Capital. Translated from the German with an introduction by Joan Robinson. L.: Routledge & Kegan Paul.

- Macedo Soares Guimarães J.C. de*, 1981. *Realidade Brasileira*. Rio de Janeiro: Nova Fronteira.
- Maddison A.*, 1985. *Two Crises: Latin America and Asia, 1929-38 and 1973-83*. P.: OECD.
- Maddison A.*, 1995. *Monitoring the World Economy, 1820-1992*. P.: OECD.
- Maddison A.*, 2001. *The World Economy: A Millennial Perspective*. P.: OECD.
- Maddison A.*, 2003. *The World Economy: Historical Statistics*. P.: OECD.
- Mahathir bin Mohamad*, 1977. *The Malay Dilemma*. Singapore, Kuala Lumpur, Hong Kong: Federal Publications, 3-rd print (1-st print – 1970).
- Mahathir bin Mohamad*, 1998a. The Speech at the International Conference on Managing the Asian Financial Crisis: Lessons and Challenges. SG, Ucapan, November 2. - [http://www.pmo.gov.my/WebNotesApp/PastPM.nsf/a310590c7cafaaae48256db4001773ea/26119ec620bbf4e54825674a0032a45f/\\$FILE/Ucapan.dat](http://www.pmo.gov.my/WebNotesApp/PastPM.nsf/a310590c7cafaaae48256db4001773ea/26119ec620bbf4e54825674a0032a45f/$FILE/Ucapan.dat)
- Mahathir bin Mohamad*, 1998b. The Speech at the 6-th ASEAN Summit. Hanoi, December 15, #6 - <http://www.pmo.gov.my/WebNotesApp/PastPM.nsf/a310590c7cafaaae48256db4001773ea/a43f40b647b1f2d74825674a0032eb07?OpenDocument>
- Mahathir bin Mohamad*, 1999b. The Official Opening of Cyberjaya Speech, July 8 (available online: <http://www.pmo.gov.my/WebNotesApp/PastPM.nsf/a310590c7cafaaae48256db4001773ea/3a5e9e34d5717503482567ac0021a16a?OpenDocument>).
- Mahathir Mohamad*, 1999a. *The New Deal for Asia*. Selangor: Pelanduk Publications.

- Manning Ch.*, 2000, Labour Markets and the Financial Crisis in East Asia: Context Outcomes and Strategies for the Future. – In: The Asia Development Forum 2000 “East Asia: From Crisis to Opportunity”. Singapore, June 6-8 (also available online: <http://www.worldbank.org/wbi/wbiep/adf/papers/manning.pdf>).
- Marcuse H.*, 1958. Soviet Marxism: A Critical Analysis. N.Y.: Columbia University Press.
- Margolin J.-L.*, 1997. Politique industrielle à Singapour: Une ardente obligation? – In: GEMDEV. États, politiques publiques et développement en Asie de l’Est. Sous la dir. de Catherine Choquet. P.: Karthala.
- Marx K.*, 1974. Capital. A Critical Analysis of Capitalist Production. Vol. I. Translated from the third German edition by S. Moore and E. Aveling and ed. by F. Engels. Moscow: Progress Publishers.
- Marx K.*, 1978a. Capital. A Critique of Political Economy. Vol. II. Book Two. The Process of Circulation of Capital. Ed. by F. Engels. Moscow: Progress Publishers.
- Marx K.*, 1978b. Capital. A Critique of Political Economy. Vol. III. Book Three. The Process of Capitalist Production as a Whole. Ed. by F. Engels. Moscow: Progress Publishers.
- Marx K.*, 1978c. Review (January 1850). – K. Marx and F. Engels. Collected Works. Vol. 10. Moscow: Progress Publishers.
- Marx K.*, 1979a. Revolution in China and Europe. – K. Marx and F. Engels. Collected Works. Vol. 12. Moscow: Progress Publishers.
- Marx K.*, 1979b. The British Rule in India. – K. Marx and F. Engels. Collected Works. Vol. 12. Moscow: Progress Publishers.
- Marx K.*, 1979c. The Future Results of British Rule in India. – K. Marx and F. Engels. Collected Works. Vol. 12. Moscow: Progress Publishers.

- MASTIC (Malaysian Science and Technology Information Centre)*, 1996. National Survey of Research and Development. Kuala Lumpur: MASTIC (<http://www.mastic.gov.my/>).
- MASTIC*, 2000. National Survey of Research and Development 2000. Kuala Lumpur: MASTIC.
- MASTIC*, 2004. National Survey of Research and Development. 2004 Report. Putrajaya: MASTIC.
- Matthews M.*, 1986. Poverty in the Soviet Union: The Life-Styles of the Underprivileged in Recent Years. Cambridge: Cambridge Univ. Press.
- Maximin B.*, 1997. L'intervention de l'État sur le marché du travail dans les NPI d'Asie. – In: GEMDEV. États, politiques publiques et développement en Asie de l'Est. Sous la dir. de Catherine Choquet. P.: Karthala.
- McDaniel T.*, 1988. Autocracy, Capitalism and Revolution in Russia. Berkeley: University of California Press.
- McDaniel T.*, 1991. Modernization, Autocracy, and Revolution in Russia and Iran. Princeton: Princeton University Press.
- Meira Mattos C. de*, 1975. Brasil – Geopolítica e Destino. Rio de Janeiro: Olympio.
- Mendras M.*, 2003. Interview. – Le Monde, 4 decembre – www.lemonde.fr/web/article/0,1-0@2-3232,36-344738,0.html .
- Milelli Ch.*, 2003. La restructuration d'après-crise dans l'Asie émergente: La mise aux normes est-elle possible? – In: Après la crise... Les économies asiatiques face aux défis de la mondialisation. Sous la dir. de J.-M.Bouissou, D.Hochraich, Ch.Milelli. P.: Karthala.
- Mitton R.*, 2001. Asia Looks to Itself. – Asia Week, August 31 (<http://www.asiaweek.com/asiaweek/magazine/Dateline/0,8782,172286,00.html>)

- Mohanty A.*, 2003. *Genesis of Russia's Market Reforms*. Moscow: International Centre for Socio-Political Studies.
- Moon Chung-in, Prasad R.*, 1998. *Networks, Politics, and Institutions*. – In: *Beyond the Developmental State: East Asia's Political Economies Reconsidered*. Ed. by S. Chan, C. Clark and D. Lam. Houndmills, Basingstoke, L.: Macmillan, N.Y.: St. Martin's Press.
- Moore M.*, 1988. *Economic Growth and the Rise of Civil Society: Agriculture in Taiwan and South Korea*. – In: *Developmental States in East Asia*. Ed. by G. White. Houndmills, Basingstoke, L.: The Macmillan Press with the Institute of Development Studies.
- Morishima M.*, 1982. *Why Has Japan 'Succeeded'? Western Technology and the Japanese Ethos*. Cambridge, UK: Cambridge University Press.
- Mortimore M.*, 1993. *Flying geese or sitting ducks? Transnationals and industry in developing countries*. – *CEPAL Review*, N 51, December.
- Narodnoye khoziaystvo SSSR v 1980 godu*, 1981 (The Yearbook of the Soviet Economy 1980). Moscow: Statistics Publishers (in Russian).
- Narodnoye khoziaystvo SSSR v 1982 godu*, 1983 (The Yearbook of the Soviet Economy 1982). Moscow: Statistics Publishers (in Russian).
- Narodnoye khoziaystvo SSSR za 70 let. Yubileynyi statisticheskiy sbornik*, 1987. (The Soviet Economy over 70 Years: Jubilee's Statistical Yearbook 1987). Moscow: Statistics Publishers (in Russian).
- Naya S.F.*, 2002. *The Asian Development Experience. Overcoming Crises and Adjusting to Change*. Hong Kong: Asian Development Bank.

- Ng Aik Kwang*, 2001. *Why Asians Are Less Creative Than Westerners*. Singapore: Prentice Hall.
- Ng F., Yeats A.*, 2003. *Major Trade Trends in East Asia. What are their Implications for Regional Cooperation and Growth?* (World Bank Policy Research Working Paper 3084). Washington, D.C.: World Bank (available online at: http://econ.worldbank.org/files/27878_wps3084.pdf).
- Nicolas F.*, 2003. *La restructuration du secteur financier coréen – vers une nouvelle forme de capitalisme? – In: Après la crise... Les économies asiatiques face aux défis de la mondialisation. Sous la dir. de J.-M.Bouissou, D.Hochraich, Ch.Milelli. P.: Karthala.*
- Nochteff H.*, 1991. *Reestructuración industrial en la Argentina: Regresión estructural e insuficiencias de los enfoques predominantes. – Desarrollo económico, vol. 31, N 123, octubre – diciembre.*
- Nochteff H.J.*, 1995. *A Sectoral Approach to Changing Technological Behaviour: Weaknesses of Argentina's Electronics and Informatics Policy. – In: Politics and Technology in Latin America. Ed. by M.I. Bastos and Ch. Cooper. L., N.Y.: Routledge.*
- Nordhaug K.*, 2002. *Globalisation and the State: Theoretical Paradigms. – The European Journal of Development Research, vol. 14, N 1, June.*
- NSF (National Science Foundation of the United States)*, 2004. *Statistics 2004* (available online: <http://www.nsf.gov/statistics/seind04/append/c2/at02-33.xls>)
- O'Donnell G.*, 1973. *Modernization and Bureaucratic-Authoritarianism: Studies in South American Politics*. Berkeley: University of California Press.

- O'Donnell G.*, 1979. Tensions in the Bureaucratic-Authoritarian State and the Question of Democracy. – In: *The New Authoritarianism in Latin America*. Ed. by D. Collier. Princeton (N. J.): Princeton University Press.
- OECD*, 1997. *OECD Economic Outlook*, N 61, December.
- OECD*, 2000. *Education at a Glance*. *OECD Indicators*. 2000 Edition. P.: OECD.
- Ofitova S.*, 2003. Polpredy Podkluchilis' k Vyboram. (The Authorised Representatives Have Been Involved into the Electoral Campaign). – *Nezavisimaya Gazeta*, March 12 (in Russian).
- Okazaki T.*, 2001. The Government-Firm Relationship in Postwar Japan: The Success and Failure of Bureau Pluralism. – In: *Rethinking the East Asian Miracle*. Ed. by J.E. Stiglitz and Sh. Yusuf. N.Y., Washington, D.C.: Oxford Univ. Press, World Bank.
- Oliveira L. Lippi, Velloso M. Pimenta, de Castro Gomes A.M.*, 1982. *Estado Novo: Ideología e Poder*. Rio de Janeiro: Zahar.
- Olson R.K.*, 1981. *U.S. Foreign Policy and the New International Economic Order: Negotiating Global Problems, 1974-1981*. Boulder (Col.): Westview Press, L.: Frances Pinter.
- Orekhin P., Samedova Yev.*, 2005. Korporatsia "Kreml'" Uspeshno Porabotala (The Corporation "Kremlin" Has Successfully Worked). – *Nezavisimaya Gazeta*, July 26 (in Russian).
- Pack H.*, 2001. Technological Change and Growth in East Asia: Macro versus Micro Perspectives. – In: *Rethinking the East Asian Miracle*. Ed. by J.E. Stiglitz and Sh. Yusuf. N.Y., Washington, D.C.: Oxford Univ. Press, World Bank.
- Pangestu M.*, 2001. *The Social Impact of Globalisation in Southeast Asia*. (OECD Development Centre. Technical Papers Series, N 187). P.: OECD.

- Pangestu M.*, 2001. The Social Impact of Globalisation in Southeast Asia. (OECD Development Centre. Technical papers, N 187). P.: OECD.
- Park Chung Hee*, 1962. Our Nation's Path: Ideology of Social Reconstruction. Seoul: Dong-A Publishing Company.
- Park Chung Hee*, 1979. Korea Reborn: A Model for Development. Englewood-Cliffs (N.J.): Prentice-Hall.
- Parsons T.*, 1977. The Evoluton of Societies. Ed. and with introduction by J. Toby. Englewood Cliffs (N.J.): Prentice-Hall.
- Pérez C.*, 2001. Cambio tecnológico y oportunidades de desarrollo como blanco móvil. – Revista de la CEPAL, N 75, diciembre.
- Pérez C.A.*, 1990. Five Basic Issues for the Region. – CEPAL Review, N 41, August.
- Perón J.D.*, 1974. Tres revoluciones militares. Buenos Aires: Sintesis.
- Phongpaichit P.*, 1990. The New Wave of Japanese Investment in ASEAN: Determinants and Prospects. Singapore: ISEAS (Institute of Southeast Asian Studies).
- Phongpaichit P.*, 1997. Thailand. – In: Jomo K.S. e. a. Southeast Asia's Misunderstood Miracle: Industrial Policy and Economic Development in Thailand, Malaysia and Indonesia. Ed. by K.S. Jomo. Boulder (Col.), Oxford: Westview Press.
- Piragibe C.*, 1985. Indústria da Informática: Desenvolvimento Brasileiro e Mundial. Rio de Janeiro: Sociedade Brasileira de Sociologia.
- PNUD/UNDP (Programa de las Naciones Unidas para el Desarrollo/United Nations Development Programme)*, 2002a. Aportes para el Desarrollo Humano de la Argentina. Cuaderno 1: En búsqueda de la igualdad de oportunidades. Buenos Aires: PNUD.

- PNUD/UNDP*, 2002b. Aportes para el Desarrollo Humano de la Argentina. Cuaderno 2: Hacia una integración cooperativa y solidaria del territorio nacional. Buenos Aires: PNUD.
- PNUD/UNDP*, 2002c. Informe sobre el Desarrollo Humano en México. Estadística. México: PNUD/INEGI – <http://www.undp.org.mx/desarrollohumano/estadisticafr.html>
- PNUD /UNDP*, 2004. La Democracia en América Latina: Hacia una democracia de ciudadanas y ciudadanos. N.Y., Buenos Aires: PNUD, Aguilar e.a.
- PNUD /UNDP*, 2005. Informe sobre Desarrollo Humano en México 2004. México, D.F.: PNUD, Mundi-Prensa.
- Ponomarenko A.N.*, 2002. Retrospektivnye natsionalnye stcheta Rossiyi (The Retrospective National Accounts of Russia): 1961-1990. Moscow: Finances and Statistics Publishing House (in Russian).
- Prebisch R.*, 1962. The Economic Development of Latin America and Its Principal Problems. – ECLA. The Economic Bulletin for Latin America, vol. VII, N 1, February.
- Prebisch R.*, 1998. El desarrollo económico de la América Latina y algunos de sus principales problemas. – In: CEPAL. Cincuenta años de pensamiento en la CEPAL. Textos seleccionados. Volumen 1. Santiago de Chile, México, D.F.: Fondo de cultura económica, NU.
- PT (Partido dos Trabalhadores)*, 2005. O País Já Mudou. – Brasil em Movimento, Abril.
- Pushkin A.*, 1977. Eugene Onegin. Translated from Russian by Charles Johnston. L.: Scolar Press.
- Pye L.W.*, 1988. The New Asian Capitalism: A Political Portrait. – In: In Search of the East Asian Development Model. Ed. by P. Berger and H.-H. M. Hsiao. New Brunswick, Oxford: Transaction Books.

- Ramesh M.*, 2004. *Social Policy in East and Southeast Asia: Education, health, housing, and income maintenance.* L., N.Y.: RoutledgeCurzon.
- Ranis G.*, 1979. *Industrial Development.* – In: *Economic Growth and Structural Change in Taiwan: The Postwar Experience of the Republic of China.* Ed. by W. Galenson. Ithaca (N.Y.), L.: Cornell University Press.
- Rasiah R.*, 2001. *Southeast Asia's Ersatz Miracle: The Dubious Sustainability of its Growth and Industrialisation.* – In: *Southeast Asia's Industrialization: Industrial Policy, Capabilities and Sustainability.* Ed. by K.S. Jomo. Houndmills, Basingstoke, N.Y.: Palgrave.
- Rasiah R.*, 2003. *Manufacturing Export Growth in Indonesia, Malaysia and Thailand.* – In: *Southeast Asian Paper Tiger? From Miracle to Debacle and Beyond.* Ed. by K.S. Jomo. L., N.Y.: Routledge, Curzon.
- Reddaway P., Glinski D.*, 2001. *The Tragedy of Russia's Reforms: Market Bolshevism against Democracy.* Washington, D.C.: United States Institute of Peace Press.
- Robison R.*, 1985. *Class, Capital and the State in New Order Indonesia.* – In: *Southeast Asia. Essays in the Political Economy of Structural Change.* Ed. by R. Higgott and R. Robison. L., Boston, Melbourne: Routledge & Kegan Paul.
- Rodan G.*, 2004. *Transparency and Authoritarian Rule in Southeast Asia: Singapore and Malaysia.* L., N.Y.: RoutledgeCurzon.
- Rodrigo G. Ch.*, 2001. *Technology, Economic Growth and Crises in East Asia.* Chetleham (UK), Northampton (Ma): Edward Elgar.
- Rol S.*, 2003. *Les nouveaux défis de la protection sociale en Asie du Sud-Est.* – In: *Après la crise... Les économies asiatiques face aux défis de la mondialisation.* Sous la dir. de J.-M. Bouissou, D. Hochraich, Ch. Milelli. P.: Karthala.

- Rogrigues, J. H.*, 1965. *Conciliação e Reforma no Brasil: Um desafio histórico-cultural*. Rio de Janeiro: Civilização Brasileira.
- Rostow W.W.*, 1986. *The United States and the Regional Organization of Asia and the Pacific, 1965-1985*. Austin: University of Texas Press.
- Rousselet J.*, 1974. *L'allergie au travail*. P.: Seuil.
- Russian Statistical Yearbook 1998*. Moscow: Goskomstat.
- Russian Statistical Yearbook 2000*. Moscow: Goskomstat.
- Russian Statistical Yearbook 2003*. Moscow: Goskomstat.
- Russian Statistical Yearbook 2004*. Moscow: The Federal Service for the State Statistics.
- Russian Statistical Yearbook 2005*. Moscow: The Federal Service for the State Statistics.
- Sakakibara E.*, 1995. *The End of Progressivism: A Search for New Goals*. – *Foreign Affairs*, vol. 74, N 5, September-October.
- Sarel M.*, 1997. *Growth and Productivity in ASEAN Countries*. IMF Working Paper 97/97. Washington, D.C.: IMF (also available at: www.imf.org/external/pubs/ft/wp/wp9797.pdf).
- Schleicher A., Tamassia C.*, 2002. *Measuring student knowledge and skills. The PISA 2000 Experience*. (OECD Statistics brief). P.: OECD.
- Schmidt J.D.*, 2002. *The Role of the State, Capital and Corruption in Southeast Asia*. – In: *The Global Positioning of Firms and Local Responses in Developing Countries*. Ed. by H. Schaumburg-Müller and J.-D. Schmidt. (Development Research Series. Occasional Papers, N 3. Aalborg: DIR (Research Center on Development and International Relations) & Institute for History, International and Social Studies, Aalborg University.
- Sen A.K.*, 2000. *Beyond the Crisis: Development Strategies in Asia*. Singapore: Institute of Southeast Asian Studies, New Delhi: Capital Publishing.

- Shaw Sin-Ming*, 2001. The Next Revolution. – Asiaweek, October 5 (was available online: <http://www.asiaweek.com//asiaweek/magazine/enterprise/0,8782,176583,00.html>).
- Silva H.R da*, 1984. L'industrialisation au Brésil durant la Première Guerre mondiale. Le témoignage du journal «Le Brésil». – In: La préindustrialisation du Brésil: Essais sur une économie en transition, 1830/50 – 1930/50. Sous la dir. de Frédéric Mauro. P.: Éditions du CNRS.
- Simonsen M.H., Campos R. de Oliveira*, 1974. A Nova Economia Brasileira. Rio de Janeiro: Olympio.
- Skidmore Th. E.*, 1967. Politics in Brazil, 1930-1964: An Experiment in Democracy. N.Y.: Oxford University Press.
- Skidmore Th. E.*, 1973. Politics and Economic Policy Making in Authoritarian Brazil, 1937-1971. – In: Authoritarian Brazil: Origins, Policies, and Future. Ed. by Alfred Stepan. New Haven, L.: Yale University Press.
- Skidmore Th. E.*, 1988. The Politics of Military Rule in Brazil, 1964-1985. N.Y., Oxford: Oxford University Press.
- Smith A.*, 1976. An Inquiry into the Nature and Causes of the Wealth of Nations. Vol. II. General editors R.H. Campbell and A.S. Skinner. Textual editor W.B. Todd. Oxford: Clarendon Press.
- Smith H.*, 1999. Korea. – In: East Asia in Crisis: From being a miracle to needing one? Ed. by R.H. McLeod and R. Garnaut. L., N.Y.: Routledge (First published in 1998).
- Soares L.C.*, 1984. A Manufatura na Sociedade Escravista: O Surto Manufatureiro ni Rio de Janeiro e nas suas Circunvizinhanças (1840-1870). – In: La préindustrialisation du Brésil: Essais sur une économie en transition, 1830/50 – 1930/50. Sous la dir. de Frédéric Mauro. P.: Éditions du CNRS.

- Sodré N. Werneck*, 1973. Brasil: "Radiografía" de un modelo. Trad. de portugues. Buenos Aires: Orbelus.
- Sodré N. Werneck*, 1976. Historia da Burguesia Brasileira. 3-ra ed. Rio de Janeiro: Cilização Brasileira.
- Song K.*, 2003. Remaking SK Global. – *Far Eastern Economic Review*, July 10 (available online: http://www.feer.com/articles/2003/0307_10/p038money.html).
- Sorokin P.A.*, 1964. The Basic Trends of Our Times. New Haven (Conn.): College and University Press Services.
- Steinberg D.*, 1990. Trends in Soviet Military Expenditures. – *Soviet Studies*, vol. 42, N 4.
- Stiglitz J.*, 2000. What I learned at the world economic crisis ("The Insider"). – *The New Republic*, April 17 (online version - <http://www.thenewrepublic.com/041700/stiglitz041700.html>).
- Sung Deuk Hahm, Plein L.Ch.*, 1998. Changing Parameters of State Power: Presidential Leadership for Technological Development in Korea. – In: *Beyond the Developmental State: East Asia's Political Economies Reconsidered*. Ed. by S. Chan, C. Clark and D. Lam. Houndmills, Basingstoke, L.: Macmillan, N.Y.: St. Martin's Press.
- Sunkel O.*, 1969. National Development Policy and External Dependence in Latin America. – *The Journal of Development Studies*, vol. 6, N 1, October.
- Szentes T.*, 1990. La Transición desde las "Economías de Planificación Cenralizada" a las " Economías de Mercado" en la Europa del Este y la URSS: La Ruptura Final con el estalinismo. – *Pensamiento Iberoamericano*, N 18, Julio-Diciembre.
- Tateishi M.*, 1997. Southeast Asian Flying Geese? – In: *Southeast Asia's Misunderstood Miracle: Industrial Policy and Economic*

- Development in Thailand, Malaysia and Indonesia. Ed. by K. S. Jomo. Boulder (Col.), Oxford: Westview Press.
- Tamney J.B.*, 1991. Confucianism and Democracy. – Asian Profile, vol. 19, N 5, September-October.
- Tamney J.B.*, 1996. The Struggle over Singapore's Soul. Western Modernization and Asian Culture. Berlin, N.Y.: Walter de Gruyter.
- Tamney J.B., Chiang L. Hsueh-Ling*, 2002. Modernization, Globalization, and Confucianism in Chinese Societies. Westport (Conn., USA), L.: Praeger.
- Therborn G.*, 1990. Vías a través de la modernidad. – Relaciones, N 4.
- TI (Transparency International)*, 2004. Global Corruption Report 2004. L., Berlin: Pluto Press in association with Transparency International.
- TI*, 2005. Global Corruption Report 2005. L., Berlin: Pluto Press in association with Transparency International.
- Tikhonova N.*, 2003a. Fenomen Gorodskoy Bednosti v Sovremennoy Rossii (The Phenomenon of Urban Poverty in the Contemporary Russia). Moscow: Letniy Sad Publishers (in Russian).
- Tikhonova N.*, 2003b. Social Exclusion in Russia. – In: Poverty and Social Exclusion in the New Russia. Ed. by N. Manning and N. Tikhonova. Translation by K. George. Aldershot (UK), Burlington (VT): Ashgate.
- Touraine A.*, 1976. Les sociétés dépendantes. Essais sur l'Amérique Latine. P., Gemblout: Duculot.
- Touraine A.*, 1988. La parole et le sang. Politique et sociétés en Amérique Latine. P.: Odile Jacob.
- Touraine A.*, 1992. Critique de la modernité. P.: Fayard.
- Touraine A.*, 1997. Latin America's Exits from the Liberal Transition. – In: Economic and Social Development into the XXI Century.

- Ed. by Louis Emmerij. Washington, D.C.: The Inter-American Development Bank.
- Tregubova E.*, 2003. Zapiski Kremlevskogo Diggera (Notes of the Kremlin Digger) (excerpts). – Novaya Gazeta, N 84 (917), November 10-12 (in Russian).
- Trotsky L.*, 1980. The Revolution Betrayed. What Is the Soviet Union and Where Is It Going? Translation from Russian by Max Eastman. N.Y.: Pathfinder Press (1-st printing – 1972).
- Trushchenko O.*, 1995. Prestij centra: Gorodskaya socialnaya segregatzya v Moskve (Prestige of the Centre: The Urban Social Segregation in Moscow). Moscow: Socio-Logos (in Russian).
- UNCTAD*, 1994a. Trade and Development Report 1994. N.Y., Geneva: UN.
- UNCTAD*, 1994b. World Investment Report 1994. Transnational Corporations, Employment and the Workplace. N.Y., Geneva: UN.
- UNCTAD*, 1995. Science and Technology in the New Global Environment: Implications for Developing Countries. N.Y., Geneva: UN.
- UNCTAD*, 1996. Trade and Development Report 1996. N.Y., Geneva: UN.
- UNCTAD*, 2002. World Investment Report 2002. N.Y., Geneva: UN.
- UNDP (United Nations Development Programme)*, 2001. Human Development Report 2001: Making New Technologies Work for Human Development. N.Y.: Oxford University Press for the UN.
- UNDP*, 2002. Human Development Report 2002: Deepening Democracy in a Fragmented World. N.Y.: Oxford University Press for the UN.
- UNDP*, 2003. Human Development Report. Russian Federation 2002/2003. The Role of the State in Economic Growth and

- Socio-economic Reform. Translated from Russian by D. Dynin. Moscow: Ves Mir Publishers.
- UNDP*, 2004a. Human Development Report 2004. Cultural Liberty in Today's Diverse World. N.Y.: UN.
- UNDP*, 2004b. Human Development Report 2004 for the Russian Federation: Towards a Knowledge-based Society. Translated from Russian. Moscow: Ves Mir Publishers.
- UNDP*, 2005. Human Development Report 2005 Russian Federation: Russia in 2015. Development Goals and Policy Priorities. Translated from Russian. Moscow: UNDP.
- UNESCO (United Nations Education, Science and Culture Organisation)*, 1966. UNESCO Statistical Yearbook 1964. P.: UNESCO.
- Urata Sh.*, 2001. Emergence of an FDI-Trade Nexus and Economic Growth in East Asia. – In: Rethinking the East Asian Miracle. Ed. by J.E. Stiglitz and Sh. Yusuf. N.Y., Washington, D.C.: Oxford Univ. Press, World Bank.
- Valaskakis K.*, 2002. Development with a Big D: A 21-st Century Mission for the OECD? – In: Development Is Back. Ed. by J. Braga de Macedo, C. Foy and Ch. Oman. P.: OECD.
- Veblen Th.*, 1923. Absentee Ownership and Business Enterprise in Recent Times. N.Y.: Huebsch.
- Vernière M.*, 1997. Les politiques de formation en Asie du Sud-Est. – In: GEMDEV. États, politiques publiques et développement en Asie de l'Est. Sous la dir. de Catherine Choquet. P.: Karthala.
- Vernon R.*, 1966. International Investment and International Trade in the Product Cycle. – The Quarterly Journal of Economics, vol. 80, N 2, May.
- Vichnevsky A.*, 2000. La faucille et le rouble: La modernisation conservatrice en U.R.S.S. Traduit du russe par Marina Vichnevskaja. P.: Gallimard.

- Voslensky M.*, 1984. *Nomenklatura. The Soviet Ruling Class.* Translated from Russian by Eric Mosbacher with preface by Milovan Djilas. Garden City (N.Y.): Doubleday.
- Wade R.*, 1988. *State Intervention in 'Outward-looking' Development: Neo-classical Theory and Taiwanese Practice.* – In: *Developmental States in East Asia.* Ed. by G. White. Houndmills, Basingstoke, L.: The Macmillan Press with the Institute of Development Studies.
- Wade R.*, 1990. *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization.* Princeton (N.J.): Princeton University Press.
- Wade R.*, 1998. *The Asian Crisis and the Global Economy: Causes, Consequences, and Cure.* – *Current History*, vol. 97, N 622, November.
- Wade R.*, 2001. *The US Role in the Long Asian Crisis of 1990-2000.* – In: *The Political Economy of the Asian Crisis and its Aftermath: Tigers in Distress.* Ed. by A.J. Lukauskas and F.L. Riviera-Batiz. Cheltenham (UK), Northampton (Ma): Edward Elgar.
- Wade R., Venoroso F.*, 1998a. *The Asian Crisis: The High Debt Model versus the Wall Street – Treasury – IMF Complex.* – *New Left Review*, N 228, April-March.
- Wade R., Venoroso F.*, 1998b. *The Gathering World Slump and the Battle over Capital Controls.* – *New Left Review*, 1998, N 231, September-October.
- Wallerstein I.*, 1989. *The Modern World-System III. The Second Era of Great Expansion of the Capitalist World-Economy, 1730-1840s.* San Diego, N.Y.: The Academic Press.
- Weber M.*, 1978. *Economy and Society. An Outline of Interpretive Sociology (in two volumes).* Translated from the German. Ed. by G. Roth and C. Wittich. Berkeley: University of California Press.

- Weber M., 1984. *The Protestant Ethic and the Spirit of Capitalism*. Translated from the German by T. Parsons. Introduction by A. Giddens. L.: Allen & Unwin.
- Weisbrot M., 2005. *Latin America's Long Economic Failure Sparks Desire for Change*. Washington, D.C.: Center for Economic and Policy Research, October 7 (available online: http://www.cepr.net/columns/weisbrot/2005_10_7.htm).
- Wilson Sh., Marsh I., Breusch T., 2002. *Job Insecurity and Globalisation: What Factors Shape Public Opinion in Asia and Europe?* Paper for the Annual Meeting of the American Political Science Association (Boston, 2002). Canberra, Boston: The Australian National University (available online: <http://dspace.anu.edu.au/bitstream/1885/41491/2/JobSecurityandGlobalisation.pdf>).
- Wolferen K. van, 1989. *The Enigma of Japanese Power: People and Politics in a Stateless Nation*. L.: Macmillan.
- Wong J., 1979. *ASEAN Economies in Perspective: A Comparative Study of Indonesia, Malaysia, The Philippines, Singapore & Thailand*. L., Basingstoke: The Macmillan Press.
- Wong Siu-lun, 1988. *The Applicability of Asian Family Values to Other Sociocultural Settings*. – In: *In Search of East Asian Development Model*. Ed. by P. Berger and H.-H. M. Hsiao. New Brunswick, Oxford: Transaction Books.
- Woo-Cumings M., 2001. *Miracle as Prologue: The State and the Reform of the Corporate Sector in Korea*. – In: *Rethinking the East Asian Miracle*. Ed. by J.E. Stiglitz and Sh. Yusuf. N.Y., Washington, D.C.: Oxford Univ. Press, World Bank.
- World Bank, 1984. *World Development Report 1984*. N.Y.: Oxford University Press.
- World Bank, 1988. *World Development Report 1988*. Washington, D.C.: The World Bank with Oxford University Press.

- World Bank*, 1992. *World Development Report 1992. Development and the Environment*. Washington, N.Y.: The World Bank with Oxford University. Press.
- World Bank*, 1993. *The East Asian Miracle. Economic Growth and Public Policy*. Oxford e. a.: Oxford University Press, Washington, D.C.: World Bank.
- World Bank*, 1993. *The East Asian Miracle: Economic Growth and Public Policy*. Washington, D.C.: The World Bank with Oxford Univ. Press.
- World Bank*, 1999. *World Development Report 1998-1999. Knowledge for Development*. Washington, N.Y.: The World Bank with Oxford University Press.
- World Bank*, 2001. *World Development Report 2000-2001. Attacking Poverty: Opportunity, Empowerment, and Security*. Washington, D.C., N.Y.: The World Bank, Oxford University Press.
- World Bank*, 2003. *World Development Indicators 2003*. Washington, D.C.: The World Bank.
- World Bank*, 2004. *World Development Report 2005. A Better Investment Climate for Everyone*. Washington, D.C., N.Y.: The World Bank, Oxford University Press.
- World Bank/OECD*, 2000. *Korea and the Knowledge-based Economy: Making a Transition*. Ed. by C. Dahlman and Th. Andersson. Washington, D.C.: The World Bank, P.: OECD.
- Wu Yu-Shan*, 1997. *Taiwan's New Growth Pattern of Shifting Dependency*. – In: *Expanding U.S. – Asian Trade and Investment: New Challenges and Policy Options*. Ed. by C.E. Barfield. Washington, D.C.: The AEI Press.
- Wythe G.*, 1955. *Brazil: Trends in Industrial Development*. – In: *Economic Growth: Brazil, India, Japan*. Ed. by S. Kuznets, W.E. Moore, and J.J. Spengler. Durham (N.C.): Duke University Press.

- Yoon Suh-kyung*, 2002. Lessons in Learning. – Far Eastern Economic Review, February 28 (available online: http://www.feer.com/articles/2002/0202_28/p052current.html).
- Yoshihara K.*, 1999. Building a Prosperous Southeast Asia: From *Ersatz* to *Echt* Capitalism. Richmond: Curzon Press.
- Young A.*, 1995. The Tyranny of Numbers: Confronting the Statistical Realities of the East Asian Growth Experience. – The Quarterly Journal of Economics, vol. CX, N 3, August.
- Young D.R. e. a.*, 1986. America in Perspective: Major Trends in the United States through the 1990s. Oxford Analytica. Ed. by D. Heath e. a. Boston: Houghton Mifflin.
- Yusof Z. A.*, 2001. Income Distribution in Malaysia. – In: Modern Malaysia in the Global Economy. Political and Social Change into the 21-st Century. Ed. by C. Barlow. Cheltenham (UK), Northampton (Ma, USA): Edward Elgar.
- Yusuf Sh. et al.*, 2003. Innovative East Asia: The Future of Growth. Washington, D.C., N.Y.: The World Bank with Oxford University Press.
- Yusuf Sh.*, 2001. The East Asian Miracle at the Millennium. – In: Rethinking the East Asian Miracle. Ed. by J.E. Stiglitz and Sh. Yusuf. N.Y., Washington, D.C.: Oxford Univ. Press, World Bank.
- Yusuf Sh., Evenett S.J.*, 2002. Can East Asia Compete? Innovation for Global Markets. Washington, D.C., N.Y.: World Bank with Oxford University Press.
- Zakaria F.*, 2004. The Future of Freedom: Illiberal Democracy at Home and Abroad. N.Y., L.: W. Norton &Co (1-st print – 2003).



Attribution-NonCommercial-NoDerivs 2.5

You are free:

- to copy, distribute, display, and perform the work

Under the following conditions:

- **Attribution.** You must attribute the work in the manner specified by the author or licensor.
- **Noncommercial.** You may not use this work for commercial purposes.
- **No Derivative Works.** You may not alter, transform, or build upon this work.

For any reuse or distribution, you must make clear to others the license terms of this work.

Any of these conditions can be waived if you get permission from the copyright holder.

Your fair use and other rights are in no way affected by the above.

This is a human-readable summary of the Legal Code,
for the full license:

<http://creativecommons.org/licenses/by-nc-nd/2.5/legalcode>