

# Why are pre-industrial countries so difficult to govern?

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# Govern for what?

## Objectives:

1. achieving the industrial and capitalist revolution,
2. catching up, and
3. democratizing

## Three types of countries:

1. pre-industrial,
2. middle-income
3. rich countries



# Assumed historical development path of the pré-industrial country:

1. builds an autonomous nation-state,
2. develops exports of commodity from which it derives Ricardian rents
3. adopts a developmental strategy,
4. neutralizes the Dutch disease & makes the industrial revolution
5. makes the transition to democracy.



# Or, in other words,

- ▶ the industrial revolution in each country was, historically, made
  1. in the framework of a authoritarian political regime
  2. by adopting a developmental strategy combining moderate state intervention with market coordination.



# To follow this path was always difficult for domestic problems

- ▶ High inequality
  - ▶ Low level of education,
  - ▶ Low level of social cohesiveness
  - ▶ Economic populism
  - ▶ Dependency in the context of old industrial imperialism
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- ▶ **But became still more difficult in the context of West's soft power imperialism**



# West's soft power imperialism

- ▶ It is imperialism of post Golden Years of Capitalism – of the Neoliberal Years.

The objective is to occupy the domestic markets

- ▶ their goods and services,
- ▶ their finance,
- ▶ their multinationals



# The method is to persuade/ pressure the developing country

- ▶ to grow with foreign savings by incurring in current account deficits.
- ▶ although they **don't need** West's capitals, which, even in the case of multinationals, rather finance consumption than investment.



# While foreign capitals enter the country

the rate exchange gets appreciated in the long term, what means:

1. Investment falls,
2. Consumption increases,
3. The country gets indebted in foreign money,
4. Turns financially fragile or dependent,
5. Resorts to “confidence building”
6. Eventually falls into a balance of payment or currency crisis.



# To assure its domination the West imposes two basic conditions

1. Developmental or nationalist policies are excluded

- ▶ This was a condition that didn't exist before the Neoliberal Years

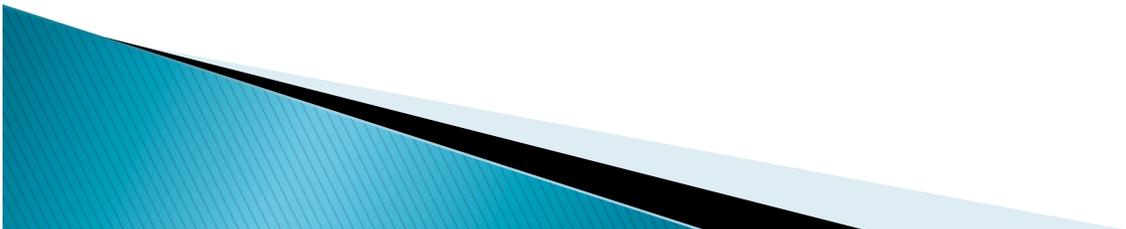
2. Democracy is required, independently of the level of development.

- ▶ Countries that adopt developmental policies are declared not democratic –
- ▶ what legitimizes direct or indirect intervention.



# The question

- ▶ Given such two additional constraints, will pre-industrial countries be able to succeed: to realize their capitalist revolution, democratize and gradually converge?
- ▶ I have no answer for that question, except that it is most improbable.
- ▶



End

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