

Nationalist versus Dependent Capitalist Development:  
Alternative Pathways in a Globalized World

Atul Kohli  
Princeton University

Comments prepared for a conference on “International Inequality” at Brown University,  
April 4-5, 2008.

It is a distinct privilege to be invited to participate in a scholarly conversation with President Cardoso, whom I have admired greatly from a distance for a long time. What follows below is not a full scholarly paper but rather some synthetic comments based on my earlier studies. The main point I wish to make is that a full appreciation of the possible responses to globalization require a broadening of discussion beyond Latin America, especially to Asia. While Asia is a big, diverse continent, developmental initiatives in Asia have on the whole been more nationalistic, that is, less dependent on the global capitalist system than in Latin America. Nationalist capitalist models of development, in turn, provide relatively superior opportunities for sustaining rapid economic growth that is also inclusive.

Cardoso and Faletto's *Dependency and Development in Latin America* (1979) was a brilliant book then and is a brilliant book now. It provided a sophisticated analysis of diverse responses within Latin America to the shared constraints of a dependent situation. Especially notable was the distinction between enclave economies with limited commodity exports and heavy foreign investment on the one hand, and on the other hand, more complex, diversified economies with a respectable presence of national capital and some indigenous industry. With landed oligarchs and foreign capital controlling states in enclave economies, developmental prospects (both growth and distribution) were limited. By contrast, Cardoso and Faletto suggested that in more diversified economies (such as Brazil) national states in alliance with diverse social classes were in a better position to promote economic growth, though probably not much redistribution. In the recent essay ("New Paths") President Cardoso similarly outlines the diverse responses to globalization

within Latin America. The enclave economies of yore continue to struggle, seeking an appropriate route to upward mobility. Others—such as Chile, Mexico, and Brazil—have responded more successfully, especially Chile and Brazil, who he suggests are pursuing “globalized social democracy.”

I share with scholar Cardoso a commitment to structural analysis, as well as the analytical proclivity to trace diverse national responses within common global constraints. As a global citizen I also share with President Cardoso a preference for social democratic outcomes. What I want to add to his observations is to broaden the focus beyond Latin America to include Asian examples. The general observation that emerges from this comparison is to underline the superiority of the nationalist capitalist model of development (that has often been pursued in Asia) over a dependent capitalist model (that has often been pursued in Latin America); the former allows for greater national sovereignty, higher and less volatile rates of economic growth, and a greater political room to pursue social democratic policies.

Both Asia and Latin America are, of course, big places with enormous internal diversity. And yet, depending on the level of abstraction, the two continents can also be viewed as typifying alternate developmental pathways, a nationalist capitalist pathway in Asia, and a more dependent capitalist pathway in Latin America. In an ideal typical fashion, one may suggest the following inter-related distinctions across the two continents: global integration in Asia has been more along the axis of trade, that tends to be more mutual, and more along the axis of foreign investment in Latin America, that tends to accentuate dependency; compared to Latin America, most polities in Asia constitute stronger national political formations with relatively nationalist elites at the

helm, and a truncated elite-mass gap; Asian economies tend to have higher rates of domestic savings that make them less dependent on foreign capital for economic growth; indigenous capitalists generally play a stronger role in the national economies of Asian Countries than in Latin America; income inequalities in Asia are generally more moderate than in Latin America; the interventionist states of Asia did not embrace the “Washington Consensus” on development with the same enthusiasm as did most Latin American states; and finally, over the last quarter of a century, both growth and distributional performance in Asia has been superior than in Latin America.

Since these ideal typical distinctions are mere associations and association does not constitute a causal story, how, and in what sequence, might the causal story of Asia unfold differently than that of Latin America? It strikes me that the roots of the differencing pathways are political, especially in the different processes of state formation around the period of WWII. Generalizing hugely, decolonization in Asia created significant political discontinuities, which in turn led to modified class relations and more nationalist development choices. By contrast, there was no such discontinuity in Latin America in the post-WWII period; state and class formations modified of course, but only incrementally, continuing along the grooves of dependency of a much earlier historical origin. Let me elaborate.

Following WWII, China had a major communist revolution. In India, the world’s most significant non-communist nationalist movement captured state power. The Japanese lost WWII and, along with that, their power and investments in such colonies as Korea and Taiwan, leading to a new political beginning. The Dutch were forced out of Indonesia, and both the French and the Americans were eventually defeated militarily in

Vietnam. While there were exceptions (e.g., the Philippines), nationalist states consolidated power in most Asian countries following WWII (or somewhat later, as in Vietnam). By contrast, decolonization in Latin America was in the distant past. Following WWII newer political formations emerged in many Latin American countries too, but there was more continuity than discontinuity in both the social base of state power and in developmental choices. Take, for example, President Cardoso's own country, Brazil. While a new democratic regime of sorts replaced an authoritarian regime following WWII, Skidmore (1967) skillfully demonstrated the elements of continuity in the pre-and the post-WWII political economy of Brazil. In Brazil Vargas even came back to power, this time as a democratically elected president.

Following WWII the well known ISI model of development was pursued in both Asia and Latin America. Nevertheless, there were important differences. On the whole, Latin American countries pursued ISI with foreign investors producing consumer goods for Latin elites behind high tariff walls; with weak exports and growing dependency on foreign capital these policy choices failed to strengthen national political formations. By contrast—again, generalizing hugely—ISI policies in Asia focused on heavy industry that were promoted by domestic resources. In Communist China, for example, a heavy industrial base was laid down by public investments. Public investments also played a crucial role in India's heavy industry oriented ISI, but then so did indigenous capital. When the dust of civil war and reconstruction settled in South Korea (say, around 1960), the government there pursued simultaneously heavy industry oriented ISI and a state subsidized drive to promote light industry exports, both financed by domestic savings. Notice that none of these cases were cases of "easy ISI" that was pursued in Latin

America; Asian countries by contrast pursued “difficult ISI,” mobilizing domestic resources and building indigenous technology and industry. Of course, a South Korea or a Taiwan grew much faster in this earlier period than an India or a China (for an analysis of why, see Kohli, 2004), but in all of these cases foundations of a more nationalist political economy were built by conscious political decisions.

The process of consolidating nationalist states in Asian countries was also aided by the elimination of a variety of “feudal” types of intermediate elites (the landed oligarchs of Latin America, who never got eliminated), that in turn moderated inequalities of wealth and power. This was most obvious in such communist countries as China and Vietnam. The threat of communism, in turn, also facilitated significant land redistribution in such cases as South Korea and Taiwan. Even in an India—where land reforms were mostly a failure—the largest zamindaris were broken down and pressures of democracy mitigated the “urban bias” of the polity, leading to reasonable terms of trade between the city and the countryside. A similar outcome unfolded in Indonesia, where the mechanism was less democratic politics but more threats of peasant rebellion. Of course there were exceptions, such as the Philippines, but then the Philippines has always been Asia’s Latin American country.

While there were many false starts, and a fair amount of learning occurred via trial and error, on the whole between 1950 and 1980, nationalist states consolidated power in most Asian countries, eliminating or mitigating the power of traditional intermediaries, minimizing the role of foreign capital, and laying the foundations for the development of indigenous technology and heavy industry. By contrast, the ruling elites in Latin America continued to rely heavily on foreign capital, failed to mitigate internal

economic inequalities and the related elite-mass political gap, and constructed political economies that remained dependent on the outside world.

While the growth performance of many Latin American countries during this period was often impressive (again notice Brazil), the fact is that this growth remained dependent on the availability of foreign capital. With growing foreign debt in the late 1970s and the early 1980s, foreign capital increasingly shied away from Latin America, leading to the “lost decade” of development. By contrast, most Asian economies surged ahead during the 1980s, especially the giants, China and India.

Again generalizing broadly, nationalist states of Asia have coped with globalization from a position of relative strength, making concessions when necessary, but also taking advantages of available opportunities. By contrast, indebted and dependent countries of Latin America have just as often confronted globalization on bended knees. The results include higher rates of economic growth and lower inequalities in much of Asia over the last quarter of a century than in Latin America. With democracy, political reactions in Latin America only seem to confirm these tendencies: considerable political rage against the “Washington Consensus” on the one hand but considerable inability to mobilize this anger constructively on the other hand. We thus notice that the Mexican elites have narrowed their own political room to maneuver via NAFTA, there remains considerable gap between left rhetoric and real performance in Lula’s Brazil, and neo-populism has resurfaced in a Bolivia or a Venezuela.

Select Asian economies—China, India, Vietnam, South Korea—are now among the world’s fastest growers. While the respective developmental approaches of these

countries differ, they also share some commonalities, especially when juxtaposed to some typical tendencies in Latin America. China, for example, is undergoing a state controlled transition from socialism to capitalism. While the role of foreign investment in this transition seems very large indeed, the data is highly misleading; anywhere from two thirds to three quarter of the so-called foreign investment going into China originates in Hong Kong, Taiwan, and Macao. This Diaspora investment is less foreign investment and more the revenge of the Chinese bourgeoisie that were once ousted by the communists, and who are now busy reestablishing a state-capital alliance that will manage the new enlarged and powerful china in the future. India's liberalizing reforms are partly real but partly a myth. Direct foreign investment remains relatively limited in India and very recently India has even limited the inflow of the more speculative types of portfolio investments. The main model of development in India is a close alliance between state and indigenous capitalism, aimed mainly at growth, but without totally excluding the poor.

Besides the Giants, South Korea has for a long time been one of the fastest growing economies of the world. The Asian financial crisis hit South Korea hard but what is remarkable is the relatively quick recovery of economic growth. The basic model of development has undergone some important changes in South Korea, but these are most evident in the financial sector. The basic state-chaebol alliance for exports and growth remains intact. What is also noteworthy is the progress towards social democracy that is evident in South Korea (and in Taiwan) since democratization. Democratic pressures from below are clearly more consequential in economies dominated by national than by foreign capital.



A nationalist state-capital alliance that presides over high economic growth rates and moderate inequalities is the main model of development in Asia. Of course, there are exceptions (Indonesia's recovery is slow, Malaysia is achieving good growth and distribution with heavy foreign investment, and Philippines and few other countries remain laggards) but, on the whole, Asian countries have pursued a nationalist capitalist model of development, and with considerable success. By contrast, national political formations remain relatively weak in dependent Latin America, economic growth remains a function of availability of foreign capital, and inequalities are proving to be very stubborn, as is the elite-mass political gap.

If this sketchy empirical analysis is persuasive, an important conclusion follows: nationalism and effective national states remain important economic resources in a globalized world. On the whole, the more nationalist version of the capitalist models of development seems to be serving the needs of the citizenry in those countries better by generating higher rates of economic growth and limiting the worst forms of inequality.