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# The Limits of Studies in Comparative Development of East Asia and Latin America: the case of land reform and agrarian policies

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ABSTRACT *This paper critically examines the widespread belief that the early implementation of comprehensive land reforms prior to the industrialisation process, coupled with subsequent agrarian state policies channelling the intersectoral transfer of resources, has been a central determinant of East Asia's (mainly Taiwan's and South Korea's) outperformance of Latin America. We argue that, although those agrarian policies should certainly be part of any comparative investigation of the course of capitalist development in each of these two regions, they cannot explain their divergence. The paper contends that the respective scope and timing of agrarian policies has been an expression of the specific contradictions of the early industrialisation process in each region, rather than an autonomous determinant of the course of the latter. Based on insights derived from the Marxian critique of political economy, the paper shows that each region's respective agrarian policies have expressed the differential resolution of the opposition between the rate of profit (industrial capital) and ground-rent (landed property) in the import substituting industrialisation process. In so doing, the paper takes issue with the claim that timely land reforms in Taiwan and Korea have facilitated the subsequent successful turn to an export-oriented industrialisation strategy. An alternative account of the different developmental paths in East Asia and Latin America based on the unfolding of the Marxian 'law of value' on a world scale is also provided.*

The comparative analysis of Latin American and East Asian patterns of industrialisation has been at the forefront of Development Studies since at least the mid-1980s. In effect, the need to account for the remarkable divergence in those regions' developmental trajectories (ie East Asian growth *vis-à-vis* Latin American stagnation) generated a (still unresolved) debate

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over the specific kind of economic (especially trade and industrial) policies implemented by their respective nation-states. The discussion has been polarised in two main camps: a neoliberal view theoretically inspired by the neoclassical mainstream in economics and a 'statist' view theoretically underpinned by a (broadly) institutionalist political economy approach.[1]

The aim of this paper is to offer an alternative account of the difference in the developmental patterns of East Asia and Latin America that goes beyond the debate between neoliberals and 'statists' in at least two respects. First, unlike the one-sidedly nation-centred perspective of the development process dominating the aforementioned debate, we offer an explanation of the emergence of national differences in the trajectories of each region firmly grounded in the essentially global dynamics of capital accumulation. Here we mainly draw on the insights on the relationship between the world-wide unfolding of the Marxian 'law of value' and 'uneven development' elaborated by Iñigo Carrera.[2] Second, and following from the previous point, we argue that the divergent forms of capital accumulation in Latin America and East Asia cannot be explained through the differences in their respective state-forms. Rather, we consider that those distinct political forms express the qualitatively different modes taken by the world-wide process of capital accumulation in each region. These ideas will be elaborated mainly at the theoretical level. However, empirical illustrations will be offered to substantiate our general points.

In order to develop our argument, we shall critically engage with the recent contribution to the debate put forward by Cristóbal Kay in the pages of this journal.[3] Kay's contribution stands out for bringing into the centre of the discussion a fundamental issue which has not received sufficient attention in the literature, namely, the essential role played by agricultural policies—land reform in particular—in the determination of the divergent patterns of development in each region. We concur with Kay that the forms and course taken by the transfer of the so-called 'agricultural surplus' to the industrial sector has indeed been a significant element in the respective processes of capital accumulation. However, we shall argue that agrarian policies have not been an independent or autonomous 'determinant factor' that can explain the fate of the developmental paths in Latin America and East Asia. Like any other kind of state policy, agrarian policies have been a concrete political form taken by the specific contradictions immanent in the accumulation process.

## Can the timeliness and scope of land reforms explain the divergence between Latin America and East Asia?

The essential element of Kay's comparative analysis of Latin America and East Asia resides in the centrality he assigns to agricultural policies and, in particular, to the scope and timeliness of agrarian reforms, ie whether the reforms took place before or after the process of industrialisation started.[4] Clearly, Kay is not arguing that this factor alone can account for East Asia's outperformance of Latin America. Indeed, he considers it to be only one among three main factors that explain the divergence in the industrialisation processes of those regions, the other two being the interaction between agriculture and industry in development strategies, and 'statecraft'. And yet his paper does make a case for the *crucial* significance of agrarian reform as an explanatory factor in the variations in the developmental performance between the two regions, this being what his account adds to existing emphasis in the literature on the distinctiveness of industrial policies in East Asia.[5] The purpose of this section is to take issue with this claim. While there is no doubt that the 'agrarian question' has been dealt with differently in Latin America and East Asia, we argue that this difference has not been a reason behind the divergent paths of industrialisation.

Kay puts forward different reasons why land reforms have determined the specific path of industrialisation in each region. In the first place, Kay points to the impact of land reforms on the respective masses of social wealth transferred from agriculture to industry. In a nutshell, he states, the failure or lateness of land reforms in Latin America resulted in the continued reproduction of a politically powerful landlord class to which, 'even in the period of ISI when governments were most favourably inclined towards industrialisation, the state had to make economic concessions . . . providing them with generous subsidies and other economic benefits'.[6] Thus, Kay concludes, 'the Latin American state was unable proportionally to extract such a high surplus from agriculture as in South Korea and Taiwan'.[7] Furthermore, while Latin American states had to confront the political resistance of landlords, the South Korean and Taiwanese states were able to finance the industrialisation process through 'the squeeze of the peasantry'.[8] However, all this can tell us is that the state's ability to transfer social wealth from agriculture to industry was augmented in those latter countries *vis-à-vis* the pre-land reform situation. In itself, this cannot tell us anything significant about the *relative* power of the state to channel resources from agriculture to industry in Taiwan and Korea *vis-à-vis* Latin American countries. As we argue below, if the mass of differential ground-rent existing in a country (stemming from the presence of non-reproducible natural conditions enhancing the fertility of the soil and, hence, the productivity of agricultural labour) is abundant enough, enormous quantities of social wealth can systematically and continuously be transferred to industry, despite the reproduction of landowners as a class and without affecting the normal valorisation of agrarian capital. In brief, there is no *a priori* reason to believe that the absence of early successful land reforms in Latin America has hindered the flow of social wealth from agriculture to industry. In fact, the empirical evidence provided by Kay himself substantiates this point. Thus Kay mentions a study by Teranishi,[9] which, based on the findings on intersectoral transfers found in a World Bank study by Schiff and Valdes,[10] actually shows that those transfers did not differ significantly between Latin American and East Asia. It is not clear, then, how land reforms allowed the South Korean and Taiwanese states to 'proportionally extract more surpluses from agriculture' than in Latin America.

Furthermore, there are strong reasons to suggest that the relative weight of inter-sectoral transfers *vis-à-vis* the overall needs of the early stages of the industrialisation process in each region must have been actually greater in Latin America. In effect, this is the conclusion that we are compelled to draw if we consider other sources of extraordinary social wealth that were mobilised to finance industrial development; in particular foreign capital. Kay himself acknowledges this in relation to Taiwan.[11] The figures for South Korea are even more revealing. As Haggard, Kim and Moon report, between 1953 and 1961 'US aid financed nearly 70 per cent of total imports and 75 per cent of total fixed capital formation'.[12] More generally the inflow of foreign capital in the early industrialisation period has been much higher in the two East Asian countries under study than in Latin America. As Stallings observes, while both in South Korea and Taiwan in the second half ot the 1950s an average of 55% of domestic investment was financed by foreign capital (including enormous amounts in the form of US foreign aid), Brazil and Mexico began with much lower ratios of less than 14%.[13] What these figures demonstrate, we think, is that the relative weight of transfers from agriculture in sustaining the initiation of the industrialisation process in East Asian countries could not have been as great as it was in Latin America; hence the greater need to resort to additional sources of social wealth from abroad in both Taiwan and South Korea.

The second main reason for the role of land reform in explaining East Asia's outperformance of Latin America put forward by Kay refers to its distributive impact. Here Kay's line of reasoning is clearly underpinned by his endorsement of the Latin American structuralist tradition.[14] In brief, the limits to industrial development in Latin America are seen to stem from a historical pattern of unequal distribution of income through its negative impact on agricultural productivity, and a pattern of demand biased towards the production of commodities not accessible to the majority of the population, which have limited the size of the domestic market.[15] This original inequality is in turn explained by the bimodal agrarian structure derived from the old *latifundist*-dominated tenure system.[16] According to Kay, the timely implementation of land reforms in South Korea and Taiwan before the industrialisation process took off, and the increased equality in income distribution that it brought about, allowed those East Asian countries to bypass these intrinsic obstacles to an 'undistorted' industrialisation process that Latin American countries had to confront.[17]

There is no doubt that land reforms played a role in the early formation of the Taiwanese and South Korean domestic markets by improving the purchasing power of peasants and thereby expanding the solvent demand for industrial commodities. This might help explain the increased size of the domestic market in the East Asian countries *vis-à-vis* the pre-land reform situation but, again, it does not self-evidently provide an accurate basis for cross-regional comparisons. In other words, from the positive role played by land reform in the expansion of the Taiwanese and South Korean domestic markets, it does not follow that Latin America's relative stagnation can be explained by the absence of these market-widening effects. In the first place, the evenness in the distribution of income should be put into perspective. While it is true that no Latin American country has ever reached the levels of equality with which South Korea started the industrialisation process (the Gini coefficient in 1964 was 0.34 according to Barret and Chin[18]), the record of Taiwan was not impressive enough to stand out in comparison to *all* the larger Latin American countries. Thus, at the end of the primary ISI stage (1959) the Gini coefficient in Taiwan was 0.44,[19] still higher than the one registered in many Latin American countries at a comparable stage of industrial development, ie when the primary ISI stage was exhausting itself (the Gini coefficient in 1950 was 0.39 in both Argentina and Peru, 0.38 in Uruguay and 0.41 in Chile).[20]

Second, and following from the previous point, it is to be noted that the distribution of income as such is not a direct indicator of the size of the domestic market, which should also take into account the *absolute* purchasing power of the great mass of the population. In fact, the egalitarian distribution of income in the East Asian countries initially was an egalitarian distribution of misery. In 1965, and despite having one of the most even income distributions in the world, Korea had 41% of total households living in absolute poverty.[21] Moreover, as late as 1962 the GDP per capita levels in Korea were around the levels of the poorer African nations such as Zaire and Congo, with Taiwan faring little better.[22] The subsequent rise in real wages, both in Korean and Taiwan, was an expression of their industrial 'success' and not a cause of it.[23] The crucial point here is that, land reform and its market-widening effects on the demand by lower-income groups notwithstanding, the size of the domestic market for all kinds of commodities was still much smaller in East Asia than in Latin American countries like Mexico, Brazil or Argentina.[24] In this sense it is difficult to see how it could have provided a 'solid foundation for their [Korea's and Taiwan's] industrialisation', since smaller domestic markets must have resulted in fewer economies of scale and, hence, lower productivity labour and, more generally, more inefficient industries.

Thus, it is the comparatively more limited scale of the process of accumulation in East Asia during the initial ISI stage, in turn expressed in the relative poverty of the Korean and Taiwanese working classes compared with their Latin American counterparts (and not the evenness in the distribution of income), that explains the orientation of the inward-phase of the industrialisation process mainly towards labour-intensive industries. In fact, as Stallings notes, Taiwan and Korea did actually experiment briefly with secondary ISI before turning to industrial exports, 'but their lack of success became part of the case for moving toward EOI [export-orientated industry]'.[25] Thus, the direct passage from primary ISI to primary EOI in East Asia was not made out of the virtue of enlightened, 'judicious' and 'autonomous' state bureaucrats who realised the problems associated with an inward-looking industrial strategy, as Kay—here in agreement with neoclassical economists like Balassa[26]—suggests. It was the necessary form taken by the expanded reproduction of capital in the face of the specific contradictions emanating from an ISI of a very limited scale, which consequently failed directly to move to a secondary phase, and which led to the emergence of typical balance of payments difficulties in the late 1950s in Taiwan and early 1960s in Korea.[27] More importantly, the real meaning and significance of those crisis-ridden social processes can only be comprehended in the light of the world-historical developments realised through them. As we shall see below, these national social changes acted as the mediators of the global transformations in the forms of accumulation of capital and the associated changes in the international division of labour that they brought about.

## Agrarian 'surplus', land reform and industrial development: early paths of industrialisation in East Asia and Latin America

Kay is generally right in highlighting the importance of the role played by intersectoral transfers in financing the process of capital accumulation. Indeed, it is generally agreed that massive amounts of resources flew out of the primary sector to finance industrialisation in both regions during some part or the whole of their post-World War II histories, and in some countries (eg Argentina, Brazil) even before then. A rigorous analysis of those transfers, however, requires the uncovering of the concrete social form of the resources comprising the so-called 'agrarian surplus'. This section therefore offers an alternative understanding of the qualitative social content of those transfers firmly grounded in the specific social form of capitalist production, ie in the law of value.

In capitalism, prices of production of primary goods, around which commercial prices fluctuate, can be resolved into the costs of inputs (including the depreciation of fixed capital), the wages of rural workers, the normal profits of agrarian capital and the ground-rent paid for the use of land. The first element cannot *normally* be the source of the resources transferred from the primary to the industrial sector without affecting the normal reproduction of productive activities in the former. Furthermore, the normal profits of agrarian capital could not persistently be the source of those resources either. Agrarian capitals, as any other productive capital, would, on average, eventually withdraw from that sector of the economy, or slow down their rate of accumulation, if they were not valorising normally there (ie at the average rate of profit).

There is, however, a particular circumstance under which the profits of agrarian capitals could constitute an extraordinary source of social wealth contributing to the industrialisation process. The valorisation of small capitals is not determined by the general rate of profit that governs the valorisation of normal ones, that is, those which have the scale to use the most advanced methods of production. Instead, it is governed either by the rate of interest that small capitals could yield if they closed down business and were turned into interest-bearing capitals (ie by the interest rate on the liquidation value of their productive assets, which is normally lower than the general rate of profit); or, ultimately, by the wage rate at which their owners would be paid if employed elsewhere.[28] Now, if for whatever circumstances the price at which small capitals sell their product is below the price of production of normal capitals and above the price which regulates their own valorisation, small capitals could potentially appropriate an extraordinary profit. Their competition over its appropriation, however, would expand production and thus lower the commercial price of the product. The extraordinary profit would then be freed by small capitals and appropriated by those normal capitals with which they exchange on the market. In the case of small agrarian capitals selling their product directly, the surplus-value materialised in the extraordinary profits would be passed on to the consumers in the form of lower prices and would thus be ultimately appropriated by industrial capital in general under the form of lower wages for the same quality of labour-power.

Abstractly considered, the payment of the rural labour-force below its cost of reproduction could have provided the basis for at least part of the transfers to the industrial sector. According to some scholars, this has indeed been possible in Latin America because of the existence of a broadly 'semi-proletarian' rural working class,[29] which lowered rural wages paid by agrarian capitals without compromising the material and moral reproduction of the productive attributes of workers.[30] Approaches to Latin American development that resort to the so-called 'functional dualism' thesis are precisely premised on this possibility.[31] However, the following points must be noted. First, the extraordinary profits potentially available to productive capitals invested in the agrarian sector would have been transformed, through their competition to appropriate them, into ground-rent. More importantly, it is difficult to conclude, as implied by those theories, that these resources constituted the great bulk of the mass of social wealth transferred to the industrial sector. The phenomenal magntitude of the transfers involved means that such a situation could not have been sustained for long periods of time without affecting the normal reproduction of the rural labour-force, or generating a similar situation in the urban sector, thereby allowing all industrial capitals to also pay the labour-force below its total cost of reproduction. But, in the latter case, the extraordinary profits would have been generalised to all productive capitals and, therefore, could not have been transferred from one sector of the economy to the other without systematically affecting the equalisation of the rate of profit across the economy. Another extraordinary source of social wealth of agrarian origin must have existed to sustain the industrialisation process.[32]

Indeed, given the differentially favourable natural conditions for the production of raw materials prevailing in vast areas of Latin America, it is possible to argue that differential ground-rent comprised the greatest part of the resources transferred from the primary to the secondary sector. In the mining sector (and Brazilian coffee production before the mid-1950s), the rent of absolute monopoly also played a significant part.[33] Thus, ground-rent could have been normally transferred away from the primary sector without affecting the normal valorisation of agrarian capitals. Indeed, landowners, unlike agrarian and mining capitalists, have no choice but to 'accept', not without resistance, the loss of a portion of ground-rent as a condition to unproductively consume the rest of it.[34]

The respective conditions prevailing in the primary sector, such as the natural fertility of the soil and the magnitude and diversity of resources available, indicates that, while in Mexico and most of South America the great bulk of the resources transferred from the primary to the secondary sector were principally made of a portion of the differential ground-rent, in East Asia and Central America a portion of the profits freed by small agrarian capitals largely complemented the ground-rent in generating the resources used to sustain industrial development.[35] In fact, it could be argued that land reform programmes pursued at the end of World War II in both South Korea and Taiwan, which had the sole effect of transferring the property of land without actually changing the material conditions of production,[36] had as their main social content the creation of the possibility to transfer both the entire ground-rent and the surplus-value freed by the emerging small agrarian capitalists (ie the peasants) out of the primary sector (without having to suffer any deduction on the part of landowners). It is this social determination, we think, that accounts for the essential difference between the East Asian and Latin American experiences with regard to the timing and scope of land reform. In effect, insofar as the mass of differential ground-rent was arguably much lower in those East Asian countries than in Latin America (because of the peculiarly favourable natural conditions in the latter—not just agricultural, but mining as well), the initiation of the industrialisation process through import substitution in the former region necessitated the transfer of additional sources of agricultural social wealth which went beyond the appropriation of only a share of total ground-rent. Land reforms which successfully abolished 'landlordism' therefore were the adequate political form to achieve the appropriation of these two different sources of agricultural social wealth virtually in their entirety. By contrast, the presence of enormous masses of agricultural social wealth in the form of differential ground-rent in Latin America implied that capital accumulation did not confront the same barrier. The industrialisation process could therefore take off, and even on a much larger scale than in East Asia, without the need to appropriate the ground-rent in its totality or to 'cream off' the surplus-value of agrarian origin through the proliferation of small capitals in agriculture. Thus, the objective necessity for a land reform before the industrialisation process was lacking in most Latin American countries. Capital could therefore accumulate by appropriating only a portion of ground-rent and, hence, through the continued reproduction of landlords as a class.

The accumulation of capital through the appropriation of ground-rent (whether combined with a part or the whole of small agrarian capitals' profits or not) has been politically mediated through the specific state policies applied in both Latin American and East Asian countries generally associated with ISI processes. These have been centred on the transference of resources from the primary sector to the rest of the economy, mainly the industrial sector, and in the creation of the conditions for their appropriation, and have included among them those 'visible' and 'invisible' mechanisms mentioned by Kay (eg the combination of an overvalued currency and market protection, state regulation of prices of food crops, etc).[37] However, the content of those transfers has not been an amorphous 'agrarian surplus' but, essentially, the mass of differential ground-rent and the profit of small agrarian capitals.

Thus, Latin American populist regimes associated with these types of 'import-substituting' policies were not, as Kay suggests,[38] the cause of the inefficient industrial base as a result of their inability to discipline capital and/ or labour. They were, instead, the political form taken by a particularly limited process of capital accumulation revolving mainly around the appropriation of ground-rent. In East Asia, however, thanks to shallow development of industrial production resulting from the comparatively smaller magnitude of the combined masses of ground-rent and small capitals' profits, coupled with the availability of a large surplus population allowing the sustained payment of the labour-force considerably below its value, the process of capital accumulation during ISI did not develop through a steady substantial increase in industrial wages and general improvement of working conditions of labourers.[39] Consequently, the accumulation process was not politically mediated through the development of a strong populist movement with a broad working class base which channelled the latter's struggle over its conditions of reproduction. Instead, corrupt and autocratic regimes fully supported by the US military, and with a clear strategy of open repression and disorganisation of the working class, dominated the state in Taiwan and South Korea before the 1960s.[40]

What this analysis suggests, then, is that in those 'late-developer' countries where a relatively large mass of social wealth has taken the form of ground-rent, industrial capital has not maximised its valorisation by producing for the world market on the basis of advanced methods of production. Instead, capital has accumulated by producing on a small scale for limited domestic markets (according to world market norms). Although this has meant that individual capitals could not reach the scale needed for profitably utilising advanced technological conditions, they have compensated the resulting higher production costs with the appropriation of a portion of ground-rent. In this way they have valorised at the average rate of profit, despite their restricted magnitude and backward technologies. This abundant extraordinary mass of social wealth has systematically complemented the surplus-value extracted from the domestic working class to the point of marking the very specificity of the accumulation process in those national spaces. In other words, ISI policies are understood here as the necessary political form taken by the accumulation of capital through the appropriation of the ground-rent and a portion or the whole of small capitals' profits. However, in Taiwan and South Korea the intersectoral transferences of resources started progressively to diminish—and eventually even reversed the direction of the flows—after that initial phase of the industrialisation process. But the reason for the deceleration and reversal of the transfer lies not, once again, in the 'judicious' agrarian policies formulated by state bureaucrats who realised that they should not overdo the 'squeeze of the peasantry'. Instead, we argue that this change in agrarian policies expressed the transformation of the qualitatively specific base of the accumulation process in East Asia, which was in turn propelled by the novel configuration of the international division of labour emerging in the 1960s. Under this new modality, the accumulation process ceased to be essentially sustained on the appropriation of the combined masses of ground-rent and agricultural surplus-value by industrial capital in general. The political forms that mediated that appropriation were consequently dismantled. By contrast, we shall see in the next section that those global transformations did not take shape through a qualitative change in the specific form of Latin America's developmental pattern; hence the persistence of the same agrarian policies in the latter region.

The modality of the accumulation of capital based on the appropriation of ground-rent in Latin American protected markets has been very attractive for domestic capitals which, with the exception of those producing ground-rent-bearing commodities, were not competitive enough to sustain their expanded reproduction by producing for the world market. But, additionally, these markets have proved especially profitable for industrial capitals of foreign origin, which established there from the mid-to-late-1950s onwards. Unlike the internationalisation strategy of transnational corporations (TNCs) in East Asia (the establishment of 'world market' factories, whether directly or through Original Equipment Manufacturer (OEM) arrangements), foreign capitals in Latin America operated with the smaller scale that these domestic markets required and, given their protected nature, actually made possible. In this way, TNCs in Latin America managed to valorise obsolete fixed capital and accumulate without spending a portion of their profits on cutting-edge technological development. However, the other side of this coin is that the scale of Latin American processes of capital accumulation continued to be structurally dependent on the evolution of the magnitude of ground-rent available for appropriation. This ground-rent was necessary to compensate for the constantly increasing gap between local and international production costs, in turn resulting from the difference between the local and world market scales of production which, additionally, restricted the growth of the productivity of labour in the limited national spaces of accumulation of capital of Latin America. Furthermore, the transfer of ground-rent was achieved through different mechanisms (overvalued exchange rates, export and import taxes, etc), which resulted in the establishment of specific domestic conditions for the circulation of capital within those national territories. Thus, its appropriation could only be done by industrial capitals operating within those countries and whose circuit realised its final phase (ie the sale of commodities) on the domestic market.

Since the mid-to-late-1970s, however, the mass of ground-rent, especially of agrarian origin, has been, on average, growing at a slower pace than its requirements by industrial capital in Latin American national spaces of accumulation. With the mass of ground-rent growing at a slower pace than its requirements by industrial capital, the process of capital accumulation in the Latin American countries slowed down or entered into deep crisis.

Furthermore, since the mid-1970s, and in order to compensate for the slowly growing ground-rent in sustaining industrial capital's profitability, these national processes of capital accumulation have been resorting to other sources of extraordinary social wealth, such as the payment of labour-power below its value and the massive inflow of global ficticious capital in the form of mounting foreign debts. This has not only been a problem of worsening terms of trade of primary goods, as structuralists would have it, but of the region's dependence on the magnitude of the ground-rent available for appropriation and the absolute limit that this imposes on the scale of the national processes of accumulation.[41]

## The law of value on a global scale and the emerging patterns of differentiation in the world market since the 1960s

Our alternative approach to the comparative study of capitalist development in East Asia and Latin America takes as its starting point the recovery of the Marxian insight into the essentially *global* character of the process of capital accumulation.[42] When looked at from this global perspective, national differences appear as what they really are: concrete forms through which the unity of the essentially global process of capital accumulation is established. Different state policies, in particular, are thus not seen as an autonomous force that *determines* the content of the accumulation process in each national or regional space. Rather, they are considered as the political forms that *mediate* (without abolishing) the development of the inherently contradictory dynamics of capital accumulation on a world scale.[43]

What, then, are the novel features of the accumulation of capital on a world scale which account for the differentiation of East Asia and Latin America? The key, we suggest, resides in the recent transformations of the forms of production of relative surplus-value through the development of the computerisation and robotisation of the production processes of large-scale industry, and the consequent transformation of the modes of existence of the global collective labourer.[44] On the one hand, these transformations involved the expansion of the productive attributes of those wage-labourers performing the more complex parts of the labour-process, which has given rise to the so-called 'knowledge economy', and the concomitant proliferation of novel forms of intellectual and scientific labour. On the other hand, these novel social forms entailed a further step in the expulsion of the intervention of the human hand in the labour-process *vis-à-vis* the forms dominating during the previous historical cycle of accumulation. However, this has not resulted in the total elimination of manual labour from the process of production.[45] First, the robotisation and computerisation of production processes have been far from complete in most branches of production, and have actually maintained, in an even more degraded fashion, some of the productive functions of labourers acting as appendages of the now self-calibrating and self-adjusting machines. At the same time the assembly process in many industries is still heavily dependent on the manual skills of labourers. Second, the new technological conditions themselves have generated as their own condition of existence the proliferation of a multitude of production processes still subject to the manual intervention of the labourer, whether as an appendage of the machine, or even as a partial organ in a manufacturing division of labour (eg the assembly, testing and packaging of the electronic micro-components needed by the robotised and computer-aided systems). In brief, the internal differentiation of the global collective labourer according to the type of productive attributes has increased. As a concrete expression of the inner nature of the process of capital accumulation, these transformations have been global in content and national only in form. More specifically, this growing differentiation of the productive attributes of the collective labourer of large-scale industry has been the basis of the emerging patterns of differentiation of national and regional spaces of accumulation in the past four decades. In effect, based on these recent transformations in the labour-process and the revolution in communication and transportation methods, capital has been increasingly able to disperse the different parts of the labour-process globally according to the most profitable combinations of relative costs and productive attributes of the different national fragments of the global labour-force, thus giving birth to the so-called 'New International Division of Labour' (NIDL).[46]

Historically the emergence of geographically dispersed 'chains of production of surplus-value' started with the relocation of simple manual labour-processes while the increasingly more complex parts of the production process were concentrated in advanced capitalist countries.[47] Therefore this development has been guided by the search not only for relatively low wages, but also for national labour-forces whose specific productive attributes include the disciplined subordination to centrally and hierarchically organised collective work processes and the habituation to labour-intensive activities. This has actually been the case of domestic working classes whose genesis occurred in wet rice cultivating societies, like those of East Asia. This therefore suggests that the possession of a cheap domestic labour-force that suited the emerging material requirements of the accumulation of capital on a global scale was not simply one 'factor' among others. In reality, it was the *decisive* East Asian 'institutional' specificity underlying its successful industrialisation process. Certainly, this process has taken shape through the consolidation of particular national state policies quite accurately described in great detail by 'statist' scholars. But, as pointed out above, these policies did not determine the form of the accumulation process in that region; they only mediated its emergence and development. Thus, in those countries that by the mid-1960s had begun to act as sources of relatively cheap and disciplined labour-power to perform the simplest parts of the labour-process and manufacture certain industrial commodities for the world market, state policies concentrated on the creation and subsequent reproduction of the necessary conditions to accumulate under that new specific modality. These have included export promotion, liberalisation of imports of inputs used in export activities, as far as trade policies were concerned, and, in the area of industrial policy, the achievement of the extremely accelerated concentration and centralisation of private industrial capital required for world market production (or, when necessary, for the direct concentration of industrial and/or banking capital under state ownership). The need for such a rapid concentration and centralisation of capital, in particular, meant that those processes could not be left in the hands of the 'free will' of individual capitalists and had to be 'imposed' upon them by the capitalist state in the form 'indicative planning', the preferential allocation of credit tied to export targets, competition rationalisation, and so on. But, above all, these 'developmental states' had in all cases the political suppression of independent labour movements as a fundamental content of their strategies.[48]

The important point here is that these policies changed not out of the enlightenment of state bureaucrats who formulated a sounder development strategy *vis-à-vis* the Latin American ones. Instead, state policies in East Asia changed because the underlying specific modality of capital accumulation had been transformed, whereas in Latin America capital continued to find it more profitable to valorise on the basis of the appropriation of a portion of ground-rent; either because the specific kind of labour-power it needed was not there or was not cheap enough, or because the mass of ground-rent was large enough to offset the benefits of a 'structural transformation' in the other direction by providing the source of extraordinary social wealth sustaining those profitable protected domestic markets.[49] Once the assumption that the nation-state is an autonomous social institution *vis-à-vis* the changing dynamics of the global accumulation process is dropped, the difference in state policies in the two regions loses the fantastic aura that captivates most comparative studies of capitalist development.

In sum, it has been the emergence and development of the NIDL that explains East Asia's industrial success. The general foundation of this world-wide transformation has been the international fragmentation of the different parts of the collective labourer of large-scale industry. This undoubtedly constitutes a real historical novelty and, more importantly, is the axis around which the dynamic elements of the contemporary forms of production of relative surplus-value revolve. However, and contrary to the over-generalisations of the early formulations of the NIDL thesis, this novel modality in the material articulation of the global accumulation process has not led to the *disappearance* of the so-called 'classic' modality of the international division of labour (whose content, we can now state, has not simply been the export of raw materials and staple foods but, essentially, the appropriation of ground-rent by industrial capital). Indeed, it has been the continued reproduction of this long-standing pattern of differentiation in the world economy that explains the relative stagnation of most Latin American countries. But while the new modality of the international division of labour is still undergoing a phase of relative expansion and dynamism, the old form has entered a process of relative decline (for reasons which, as explained in the previous section, are not unrelated to the emergence of the NIDL itself). A comparative study of the political economies of East Asia and Latin America that one-sidedly focuses on the quantitative indicators of industrial success (rate of growth, export dynamism, etc) without recognising the essentially different *qualitative* modalities of the respective processes of accumulation, cannot but remain spurious and impotent in grasping what sets East Asia and Latin America apart.

## Conclusion

This article has critically examined the widespread belief that land reforms preceding the industrialisation process have been a determining factor of East Asia's superior development record *vis-à-vis* Latin America's through the discussion of Cristóbal Kay's recent contribution to the debate. We have argued that, although the 'agrarian question' is indeed central to the comprehension of the developmental path in each region, it cannot explain East Asia's 'outperformance' of Latin America. The implications of our discussion are, however, more general than the role of land reform and agrarian policies in industrial development, and refer to the kind of approach that could offer a more fruitful research agenda in comparative development.

In effect, many studies in comparative development (Kay's among them) suffer from a fundamental weakness: they tend to regard the process of capital accumulation as essentially *national* in content.[50] However, this procedure leads either to the impossibility of ever finding a unitary determination that explains the patterns of national and regional differentiation in the world economy, ie an unconnected collection of singular development experiences; or, when some degree of generalisation is achieved, it leads to accounts which can only hold together on the basis of the exclusion of recalcitrant exceptions to the proposed *differentia specifica*. For instance, successful East Asian countries which did not undergo an extensive process of agrarian reform or 'unsuccessful' Latin American countries with a respectable distributive record at the beginning of the industrialisation process, such as Argentina.

The approach proposed in this paper, we think, can help overcome these limitations and provide a sounder basis for the comparative study of development experiences both across and within regions. In a nutshell, it consists in taking the intrinsic unity of the capitalist world market as the starting point of the investigation in order to grasp the changing patterns of national differentiation as expressions of the contradictory global dynamics of the accumulation process. In our view, the system-wide unity of these dynamics is still best captured through the unfolding of the Marxian 'law of value'. It is 'the self-valorisation of value' on a global scale, or accumulation on the level of 'total social capital', that constitutes the immanent end in the world market.[51] This dynamic socially mediates the changing material forms of the international division of labour. A rigorous investigation of the latter provides the basis for the discovery of the fundamentally qualitative differences in the modalities of capitalist development that emerge out of the uneven process of accumulation on a global scale. In the case of Latin America and East Asia we have argued that the dividing line rests on the extent to which some countries have historically been sources of differential ground-rent or sources of cheap and disciplined labour-power for global industrial capital. However, the changes in Mexico and the Caribbean Basin in the past 20 years indicate that the dividing line is not fixed. When seen in terms of the qualitative specificity of the respective developmental processes, it is possible to argue that the path of Mexico and the Caribbean Basin in the past quarter of a century has actually 'converged' with that of (second-tier) East Asian NICs. In a way the very idea of regional comparative analysis between East Asia and Latin American *as a whole* should be rethought in light of these contemporary social transformations.

## Notes

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1 See, respectively, World Bank, *The East Asian Miracle: Economic Growth and Public Policy*, 1993, Oxford: Oxford University Press; and A Amsden, *Asia's Next Giant*, 1989, Oxford: Oxford University Press.
2 J Iñigo Carrera, *El Capital: Razón Histórica, Sujeto Revolucionario y Conciencia*, Buenos Aires: Ediciones Cooperativas, 2003.
3 C Kay, 'Why East Asia overtook Latin America: agrarian reform, industrialisation and development', *Third World Quarterly*, 22 (6), 2002, pp 1073–1102.
4 *Ibid*, p 1076.
5 *Ibid*, pp 1074–1076. The third factor mentioned by Kay generally falls under the 'state autonomy' line of argument favoured by state-centred institutionalists and has been heavily (and, in our view, convincingly) criticised from very diverse perspectives. See, for example, D Chang, 'Demystifying the developmental state: a critique of the theories and practices of the state in the development of capital relations in Korea', unpublished PhD dissertation, Department of Sociology, University of Warwick, 2003; and K Jayasuriya 'Beyond institutional fetishism: from the developmental to the regulatory state', *New Political Economy*, 10 (3), 2005, pp 381–387. We shall therefore primarily focus on the question of land reform. In the following section, we shall also address the question of the interaction between agriculture and industry.
6 Kay, 'Why East Africa overtook Latin America', p 1093.
7 *Ibid*.
8 *Ibid*, pp 1080–1082.
9 J Teranishi, 'Sectoral resource transfer, conflict, and macrostability in economic development: a comparative analysis', in M Aoki, H-K Kim & M Okuno-Fujiwara (eds), *The Role of Government in East Asian Economic Development: Comparative Institutional Analysis*, Oxford: Clarendon Press, 1997.
10 M Schiff & A Valdés, *The Political Economy of Agricultural Pricing Policy*, Vol 4, *A Synthesis of the Economics in Developing Countries*, Baltimore, MD: Johns Hopkins University Press for the World Bank, 1992.
11 Kay, 'Why East Asia overtook Latin America', p 1084.
12 S Haggard, Byung-kook Kim & Chung-in Moon, 'The transition to export-led growth in South Korea: 1954–1966', *Journal of Asian Studies*, 50 (4), 1991, p 852.
13 B Stallings, 'The role of foreign capital in economic development', in G Gereffi & DL Wyman (eds), *Manufacturing Miracles: Paths of Industrialization in Latin America and East Asia*, Princeton, NJ: Princeton University Press, 1990, p 59.
14 See C Furtado, *Development and Underdevelopment*, Berkeley, CA: University of California Press, 1964, for a classic text from that perspective.
15 G Mathias & P Salama, *El Estado Sobredesarrollado*, Mexico: Era, 1986, p 140.
16 Kay, 'Why East Asia overtook Latin America', pp 1090–1091.
17 *Ibid*, pp 1095–1097.
18 R Barret & S Chin, 'Export oriented industrializing states in the capitalist world system: similarities and differences', in F Deyo (ed), *The Political Economy of Asian Industrialism*, Ithaca, NY: Cornell University Press, 1987, p 29.
19 See JCH Fei, G Ranis & SWY Kuo, *Growth with Equity: The Taiwan Case*, Oxford: Oxford University Press for the World Bank, 1979.
20 See L Prados de la Escosura, 'Growth, inequality and poverty in Latin America: historical evidence, controlled conjectures', *Working Paper 05-41(04)*, Madrid: Departamento de Historia Económica e Instituciones, Universidad Carlos III, 2005.

21 H Koo, 'The political economy of income distribution in South Korea: the impact of the state's industrialization policies', *World Development*, 12 (10), 1984, p 1030.
22 M Hobday, 'Innovation in Asian industrialization: a Gerschenkronian perspective', *Oxford Development Studies*, 31 (3), 2003, pp 293–314.
23 Similarly, the comparatively higher absorption of labour was not a presupposition of the East Asian 'success' (as the logic of Kay's argument suggests) but its result. On Korea, see M Hart-Landsberg, *The Rush to Development: Economic Change and Political Struggle in South Korea*, New York: Monthly Review Press, 1993, p 178. On Taiwan, see R Banerji & J Riedel, 'Industrial employment expansion under alternative trade strategies: the case of India and Taiwan: 1950–1970', *Journal of Development Economics*, 7 (4), 1980, pp 567–577.
24 B Stallings, 'The role of foreign capital in economic development', p 76.
25 *Ibid*. See also T Cheng, 'Political regimes and development strategies: Taiwan and South Korea', in Gereffi & Wyman, *Manufacturing Miracles*, pp 154–157, for a more detailed account of Taiwan's and Korea's failed attempts at ISI deepening.
26 B Balassa, 'The lessons of East Asian development: an overview', *Economic Development and Cultural Change*, 36 (3), 1988, pp 273–290.
27 See Cheng, 'Political regimes and development strategies', p 154; and Hart-Landsberg, *The Rush to Development*, p 144.
28 See K Marx, *Capital*, Vol III, London: Penguin, 1981, pp 938–950, for the case of small agrarian capitals; and Iñigo Carrera, *El Capital*, pp 121–136, for the generalisation of this determination to all productive capitals.
29 C Kay, 'Latin America's agrarian transformation, peasantization and proletarianization', in D Bryceson, C Kay & J Mooij (eds), *Disappearing Peasantries? Rural Labour in Africa, Asia and Latin America*, London: Intermediate Technology Publications, 2000.
30 See RL Harris, 'Marxism and the agrarian question in Latin America', *Latin American Perspectives*, 5 (4), 1978, pp 2–26.
31 A de Janvry, *The Agrarian Question and Reformism in Latin America*, Baltimore, MD: Johns Hopkins University Press, 1981, pp 83–84.
32 In Brazil rural wages were considerably below urban ones before the promulgation of the Rural Workers Bill in 1963. During the 1940s and 1950s the mass of value transferred out of the primary sector constituted an average of 44% of total profits in the economy, a figure which seems far in excess of the extraordinary surplus-value that could have been generated through the payment of the rural labour-force below its value. See N Grinberg, 'From the "economic miracle" to the "lost decade": intersectoral transfers and external credit in the Brazilian economy', *Revista de Economia Politca*, 28 (2), 2008, pp 291–311.
33 See Marx, *Capital*, Vol III, pp 779–787, 882–907, on the distinctive determinations of differential and absolute ground-rent.
34 J Iñigo Carrera, *La Formación Económica de la Sociedad Argentina*, Buenos Aires: Imago Mundi, 2007.
35 In some Latin American countries agrarian ground-rent was complemented or even overshadowed by the magnitude of mining or energy-sources rents (the cases of copper in Chile or oil in Venezuela are paradigmatic in this respect).
36 E Lee, 'Egalitarian farming and rural development: the case of South Korea', *World Development*, 7 (4–5), 1979, p 514; and R Apthorpe, 'The burden of land reform in Taiwan: an Asian model land reform re-analysed', *World Development*, 7 (4–5), 1979, pp 519–530.
37 Kay, 'Why East Asia overtook Latin America', p 1075.
38 *Ibid*, p 1093.
39 See F Deyo, 'Economic policy and the popular sector', in Gereffi & Wyman, *Manufacturing Miracles: Paths of Industrialization in Latin America and East Asia*, Princeton, NJ: Princeton University Press, 1990.
40 See Cheng, 'Political regimes and development strategies', pp 147–151; and, especially, B Cumings, 'The abortive abertura: Korean democratization in the light of the Latin American experience', *New Left Review*, 174, pp 5–32, for an interesting cross-regional contrast of political regimes.
41 This magnitude is determined by the price of raw materials on the world market, the quantity of their output and the difference between the local natural conditions and those in the world's marginal lands.
42 See K Marx, *Grundrisse: Foundations of the Critique of Political Economy*, London: Penguin, 1993.
43 S Clarke, 'Class struggle and the global overaccumulation of capital', in R Albritton *et al* (eds), *Phases of Capitalist Development: Booms, Crises, Globalizations*, Basingstoke: Palgrave, 2001.
44 That is, in the forms taken by the reduction of social labour-time for the reproduction of the class of wage-labourers through the increase in the productivity of labour. See Iñigo Carrera, *El Capital*.
45 See L Alcorta, 'Flexible automation and location of production in developing countries', *European Journal of Development Research*, 11 (1), 1999, p 164.

46 See F Fröbel *et al*, *The New International Division of Labour: Structural Unemployment in Industrialised Countries and Industrialisation in Developing Countries*, Cambridge: Cambridge University Press, 1980.
47 Later on, but only as a concrete development of this initial simplest form of the NIDL, capital managed to disperse certain more complex parts of the labour-process.
48 See F Deyo, 'State and labor: modes of political exclusion in East Asian development', in Deyo, *The Political Economy of Asian Industrialism*.
49 This has been a result of the objective conditions for the valorisation of capital and not, as Kay claims, of the subjective 'rentier mentality' of Latin American industrialists. See Kay, 'Why East Asia overtook Latin America', p 1087. Otherwise it would be impossible to explain why the same TNCs that were demanding trade liberalisation in other parts of the world begged for protectionism in Latin America.
50 H Radice, 'Globalization and national capitalisms: theorizing convergence and differentiation', *Review of International Political Economy*, 7 (4), 2000, pp 719–742.
51 See T Smith, *Globalisation: A Systematic Marxian Account*, Leiden: Brill, 2005, p 193.

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