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Reincarnation or Death of Neoliberalism? The rise of market authoritarianism and its challenges for labour

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To be considered for conference track 3 – Changing technology and the world of work

Catch-up strategies not due to but despite globalization

Underdevelopment is not a natural outcome; it is at least to a large extent the outcome of market forces. Traditionally, the periphery is obliged to specialize in the production of primary commodities for the centre and / or labour intensive low-tech productions. The rise of global value chains is a further disadvantage as even in the production of “simple” high value creating tasks are concentrated in developed countries and low-value tasks in the periphery. Rent-seeking by multinational firms led to a new global exploitation model. In the long-term this distribution of labour leads to the deterioration of the terms of trade and slow productivity development in the periphery and poor development. Empirically only a very small number of developing countries could catch-up with the developed world (Chang 2006; Herr et al. 2017).

There are several development traps for developing countries (Ohno 2013). First developing countries tend to high inequality which prevents sufficient domestic demand and reduces productivity increases; second only comprehensive industrial policy and regulated integration in global markets can increase productivity sufficiently, thirdly sound macroeconomic development including low inflation, absence of high current account deficits and regulated financial markets allow development. In additions to these known traps two new traps can be detected. Developing countries suffer more from ecological changes than developed countries. And finally industrialisation in developing countries measured as a share of industry in national value added peaks earlier than in now developed countries leading to the question whether a service-sector driven development path is promising or not (Rodrik 2015).

The paper will extensively review the debate on development strategies. The theoretical analysis and their interconnection and consequences for the periphery will be pictured by case studies of Brazil and India. Brazil is of special interest because it follows the path of industrialization, while India seems to skip industrialization focusing on the development of a strong service sector.

References:

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