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# Institutions and Capitalist Development: A Critique of the New Institutional Economics

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*ABSTRACT*: New Institutional Economics (NIE) is a branch of neoclassical economics that regards the institutional setting of exchange (markets) as the key force accounting for differences in nations' economic performance. Though originally focused on economic institutions, this approach has paid increasing attention to the political institutions giving birth to the former. *Why Nations Fail?* by Acemoglu and Robinson (2012) is a leading example of such attempts. As with other NIE works, it suffers from empirical and theoretical problems. It fails to properly uncover the historical character of institutional forms of social reproduction. Consequently, it fails to understand capital accumulation as an autonomously regulated, global-scale process. Contrary to NIE authors, national developmental and institutional patterns, and inter-state relations, should be seen as particular expressions of the general dynamics and historical potencies of capital accumulation on a global scale.

## 1. *Introduction*

THOUGH ITS ORIGINS CAN BE TRACED further back, New Institutional Economics (NIE) consolidated in the 1970s, with the work of North and Thomas (1973), *The Rise of the Western World: A New Economic History*. The key point made there was that the development of private-property rights and supporting institutions was the main force behind emergence of the West as an industrial and economic power. Simplistic and superficial as this account might have then appeared to social historians (see, *e.g.,* Coatsworth, 1975; Kimmel and Goldfrank, 1977), it provided a key tool for model-centric neoclassical economists studying economic processes in the "less developed" regions and seeking to design state policies capable of untapping their growth potential (see, *e.g.*, Stiglitz, 1986). NIE's time, however, would only arrive in the late 1980s and 90s, when it became a central part in the ideological discourse supporting neoliberal reforms (see, *e.g.*, North, 1991). Not coincidentally, its leading exponent, Douglas North, received the 1993 Nobel Memorial Prize in Economic Sciences. Yet the almost uncontested position that it holds today in the disciplines of economic history, development economics and political economy is, paradoxically, largely due to the evident inability, especially in view of the late-1990s crises, of neoliberal policies to deliver what its ideologues had promised. Academic and political debates on economic development shifted thereafter from the "right" set of policies to the "right" institutional settings. Weak underlying economic institutions (which in most cases meant weak enforcement of private-property rights), it would be argued, were the cause behind the collapse of most of these economies which, with few exceptions, was nothing but an expression of their long-term failures. Without "good" institutions in place, the "right" policies have no chance to deliver sustainable growth, even if they manage to somehow emerge.

The goal of this paper is to present a critique of what is rapidly becoming the dominant view in various social scientific disciplines pursuing comparative studies of long-term national development experiences, namely, NIE. The paper will particularly focus on the work of Acemoglu and Robinson (AR), crucially *Why Nations Fail: The Origins of Power, Prosperity and Poverty* (WNF). This work synthesizes not only AR's extensive work on the subject, but also the propositions of most versions of the NIE approach concerning long-term comparative development. When pertinent, AR's position will be contrasted with other NIE accounts. The paper is organized as follows. Section 2 reviews WNF's main claims. Section 3 tests their explanatory power by briefly examining several historical experiences analyzed there and in other NIE works. Section 4 presents a critique of the NIE theory, and offers an alternative analysis of the relationship between institutional settings and capital accumulation rooted in the Marxian critique of political economy. Section 5 uses those insights (as developed by Iñigo Carrera, 2008; 2014) to advance an alternative account of the experiences discussed in section 3. The paper closes with a brief conclusion.

## 2. *The Theory*

As a branch of neoclassical economics, NIE's main concern is to account for the politico-economic forces behind societies' inability to put in place policies or "fundamental" institutions that would take their economies to a point close to "competitive markets" and thus produce the best outcomes in terms of social welfare. For AR (2012, 41–2, 72), the point is rather straightforward: secure and extended private-property rights (what they term "inclusive" markets) are the key to long-term economic growth. These rights not only allow the efficient allocation of resources; they also create the necessary incentives for individuals to invest in risky technological development and skills acquisition, the bases of long-term growth. Inclusive economic institutions thus result in static and dynamic market efficiency.

Yet economic institutions, AR notice, do not arise autonomously. They are the product of political processes, and thus of political institutions shaping them. When these favor the concentration of power in few hands, they result in "extractive" economic institutions that benefit the few at the expense of the many (reproducing the existing distribution of political power), and thus restrain the economic actions that foster long-term growth. Conversely, political institutions that distribute power broadly in society and subject it to constraints are labeled as "pluralistic." According to AR, when this type of political institution is combined with "sufficiently" centralized and powerful states, not only able to enforce private-property rights and develop markets but also to correct their "failures," the result is "inclusive" economic institutions and long-term, sustainable growth. Conversely, nations "fail" when, either by collective choice, external imposition or slow-paced evolution, they have "extractive" economic institutions, and their supporting "extractive" political institutions, blocking self-sustainable economic growth (AR, 2012, 79–95).

AR do not suggest that growth can never occur under "extractive" institutions. It can, but would not be "sustainable" as it would not be based on innovation through "creative destruction." Only "inclusive markets" can lead to that, and "extractive" political institutions can (almost) never do so. The process of "creative destruction" is inherently destabilizing; something that authoritarian leaders/elites allegedly fear. Moreover, under "extractive" institutions, the large potential gains that arise from controlling political power cause most economic agents to invest their resources in wealth-distributing political enterprises rather than in wealth-creating economic activities. Consequently, political instability tends to be embedded in societies with "extractive" institutions (AR, 2012, 140–67).

Nevertheless, though difficult, institutional change in the direction of inclusiveness can occur when "critical junctures" disrupt the existing political and economic balance in society. The key in AR's theory is how "critical junctures" interact with prevailing, slowly evolving political institutions. Small initial differences can then result in large final differences in institutions. Such was, according to the authors, the case in Europe after the Black Plague, which led to economic and political opening in the West while reinforcing serfdom in the East; the Atlantic trade that fostered competition in Britain and the Dutch Republic while creating monopolies in France, Spain and Portugal; and, in the New World with the Industrial Revolution, which allegedly led to divergent developmental paths across ex-colonies (AR, 2012, 111–39, 323).

3. *NIE and Comparative Development*

In order to test AR's brand of NIE, this section briefly reviews their analysis of two experiences of comparative development: The North/South Korea post–Second World War growth divide; and, the long-term developmental divergence of Latin America (LA) and the so-called Western Offshoots (WO). These two "natural experiments" are central to the derivation of AR and other NIE theories. The Korean case allegedly isolates economic institutions as the single difference between two otherwise equal societies, showing their primacy in explaining long-term growth, while the LA/WO experience also shows that "inclusive" political institutions are fundamental for the long-term sustainability of the process.

In South Korea (SK), AR claim, "inclusive" economic institutions associated with "capitalism" emerged, albeit with external "assistance," after World War II, and strong economic growth and structural change ensued thereafter. The elite there, unlike in most other places with "extractive" political institutions, felt sufficiently strong to allow the development of "inclusive" economic institutions. In the long run, the growth process under these eroded the bases of the existing political institutions, thus reinforcing the virtuous trend. In North Korea, conversely, external political powers imposed "extractive" institutions associated with "communism" that stifled individual effort and investments, thus hurting long-term growth and only benefitting the party elite in control of the state. Because nothing else differed between the two countries, economic institutions, the authors conclude, must explain their divergent growth and developmental experiences (AR, 2012, 92–3).

Though intuitive, this account of the South/North Korean developmental divide has several problems. First, to claim that economic institutions were "inclusive" in pre-1987 SK seems to be overstretching the concept. Industrial workers' bargaining power (hence their property rights over their labor-power) was then severely weakened through labor-market regulations limiting the right to organize collectively; the prevailing "extractive" political institutions and repressive organizations enforced these regulations (Koo, 2001, 46–54; Grinberg, 2013, 196). Second, despite AR's claims, the process of innovation through "creative destruction" started only in the 1990s, three decades after SK's economy took off; hence it cannot be credited as the source of previous economic dynamism (Bello and Rosenfeld, 1992). Third, this simplistic explanation is not backed by available quantitative evidence. A quick look at the data presented in AR's previous work (Acemoglu, Johnson and Robinson, 2005), reproduced below, shows that the North/South growth divide began around 1974, two decades after war between the two countries finished and some normality emerged under radically different economic institutions. If these played a part in explaining the post-1974 divergence, they were certainly not the driving force.

In the case of the WO *vis-à-vis* LA, AR claim that the key difference that has affected the ex-colonies' long-term economic performance was the form taken by the colonization process in their territories. Two different types of societies, with their distinctive institutions, allegedly emerged in the European colonies. In places where they found natural resources and/or human beings to exploit, Europeans developed extractive institutions to maximize the profits out the colonial enterprise. These societies, which included the Latin American and Caribbean colonies, were characterized by high degrees of concentration of productive assets and political power in elite hands. Conversely, in places where Europeans found natural environments suitable for their permanent settlement, such as the 13 North American colonies,

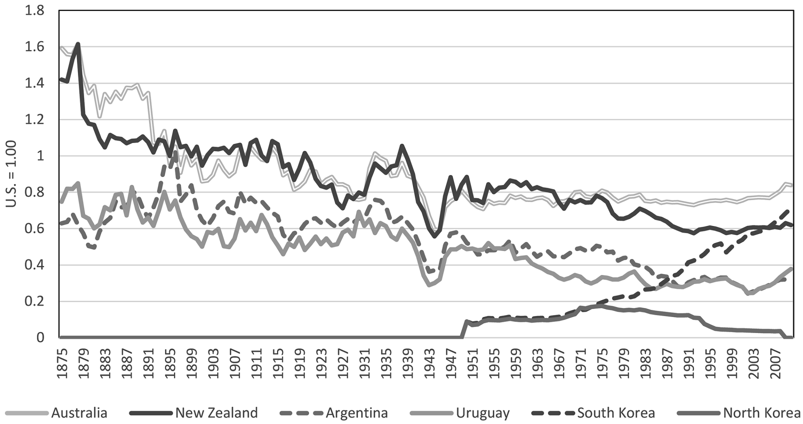


**Figure 1. Per-Capita GDP in 1990 US$ Relative to U. S.**
*Source:* Maddison-Project

Canada, Australia and New Zealand (NZ), "inclusive" institutions rapidly emerged out of the successful struggles of early settlers against old-world elites. During the pre-industrial era, when access to natural resources was more important for growth than innovation, the difference did not result in major divergences in growth patterns. However, the argument goes, the story changed dramatically after the "critical juncture" created by the Industrial Revolution. Thereafter, widespread and secure private-property rights became central for long-term economic development and growth (AR, 2012, 113–4).

In this view, the contrast of Argentina's long-term experience with that of USA, Australia and NZ is particularly telling. According to AR, Argentina's poor economic performance relative to other countries with similar "natural endowments" has resulted from the "extractive" political and economic institutions that parts of its territory inherited from the colonial experience, when they acted as food suppliers to the Potosi mines. In the long run, these institutions have allegedly resulted in enduring "anti-growth" policy-making (AR, 2012, 383–87).

Again, though intuitive, this account of ex-colonies' long-term comparative development has important shortcomings. To argue that economic institutions in Argentina have been "extractive" appears exaggerated, crucially in view of AR's analysis of SK's experience. Though labor markets were regulated by "corporatist" arrangements or military brutal force, these controls were, with the exception of 1975–83, certainly milder than those existing in pre–mid-1980s SK. Moreover, the private-property rights of economic actors capable of undertaking investments in "creative destruction" have hardly ever been at risk there. Second, claiming that economic actors in Australia and New Zealand (ANZ) have been, thanks to the prevailing "inclusive" economic institutions, undertaking investments in vanguard (for world-market standards) technological *development* is problematic (Bell, 1993; Maitra, 1997; MGI, 2012). Had this been the case, ANZ's exports would have not been made almost entirely of raw or semi-processed materials. Third, AR's account of Argentina's growth experience *vis-à-vis* the WO is simply not backed by the statistical sources they use.

As seen in Figure 1, between 1900 and 2010, Argentina's per-capita GDP followed approximately the same pattern as NZ's. Australian per-capita GDP followed the same pattern except for the post–mid-1970s period, when it remained stable at around 80% of U. S. levels rather than dropping. Economic and political institutions in Argentina might have differed from those in ANZ; yet they have not resulted in significantly different long-term *growth* experiences. What seems clear, however, is that the U. S. economy has been the exception in this group rather than the norm. Not coincidentally, Argentina and ANZ have shared, despite their differences, two key characteristics in terms of their economic structure not present in the USA. The three economies have always participated in the international division of labor (IDL) as primary commodity producers, and have developed manufacturing industries under import-substituting industrialization (ISI) programs that hardly ever resulted in internationally competitive capitals (Bell, 1993; Maitra, 1997; Iñigo Carrera, 2006). Moreover, as Figure 1 shows, in the post–mid-1970s period, Australia, rather than Argentina, became the exception in this group of temperate-weather primary commodity exporters.

Besides these empirical inaccuracies, the AR approach suffers from two fundamental problems that prevent it from overcoming the limitations of previous NIE accounts. AR are unable to uncover the specificity of the historical origin of the New World institutions finally consolidating in the Middle and Northern colonies of present-day USA. For them, the emergence of superior politico-economic institutions was not, as in other NIE accounts, the natural outcome of English heritage (North, Summerhill and Weingast, 2000) or determined by initial "factor endowments" and technical conditions (Engerman and Sokoloff, 2000). Instead, it resulted from colonizers' inability to exploit natural resources and, crucially, native inhabitants, as they had originally intended, or indentured workers, as they subsequently attempted. With plenty of alternative opportunities in the form of freely available land, the English elite could not force early settlers to perform work for them; to survive it had to create incentives in the form of land grants and political rights for immigrants. This process, AR argue, led to cumulative transformations in political and economic institutions in the direction of "inclusiveness." This account, however, never explains Europeans' necessity to settle overseas, once they realized that precious metals and valuable raw materials were not available, and what this meant for the relationship between the colony and its motherland, including the relative strength of elite and the non-elite groups in the new territories. AR's account also fails to address the fact that, as soon as world-market conditions allowed, slave-labor "plantation economies" consolidated in the Southern colonies of British North America, giving place to politico-economic institutions that were qualitatively different from those developing north of the Chesapeake (Menard, 1996; Engerman and Sokoloff, 2000).

AR's explanation is also problematic with regard to the long-term reproduction of initial institutional settings. The authors simply postulate that in "extractive societies" elites in control of the state block the emergence of economic institutions that foster growth through "creative destruction," because this involves uncertainty to which they are averse. Nor would they protect the property rights of non-elite groups, thus hindering investments in "human" and physical capital (AR, 2012, 430). Besides the loose and simplistic treatment of the "elite," there is nothing inherent in "creative destruction" that implies it would distort the prevailing political order. It could equally be argued that the "elite" would be better off by promoting institutions that maximize national income growth rather than investing resources to squeeze a larger share out of a slow-growing, or even shrinking, output (Sachs, 2012). Indeed, the explanation of the relationship between "inclusive" political and economic institutions offered by AR is so weak that the authors need to suggest that when elites feel "sufficiently" strong (as in SK) they can decide to introduce "inclusive" economic institutions without suffering from the "commitment" problem referred to in their previous work (Acemoglu, Johnson and Robinson, 2005). But, "sufficient" cannot by judged by its outcome for this would mean to assume away what should be explained. Yet, as with the characterization of existing political/economic institutions, this is exactly what AR do all the way through.

These problems in AR's arguments are not simply errors of judgment. Rather, they result from their attempts to force historical facts to match a theory than cannot explain the historical necessity of political and economic institutions. Like other NIE theorists, AR simply point to "small initial differences" that can generate slow-evolving cumulative processes and result in "large differential outcomes" when "exogenous" events termed "critical junctures" take place. Yet none of these are ever accounted for. This explanatory problem also appears when AR account for institutional settings created *ex-novo* by external political powers. Beyond simplistic references to "path-dependence," the question that is never posed is: What is the social content that is realized in specific political and economic institutions?

## 4. *Institutions and Capitalist Development*

All life consists of the transformation of the environment's potencies into means for its own reproduction. It carries in itself the necessity to enhance that generic capacity. The specificity of human life resides in the appropriation of the environment by the living subject, through a conscious, voluntary and purposeful action, namely, the labor process (Marx, 1976, 283–4). As such, this capacity exists in individual human beings. Yet, as each individual production and consumption process depends on others, contemporary and previously realized, the productive capacity of human labor belongs to the species; it is a social power. Human history, then, is not an *ad hoc* succession/juxtaposition of contingently developed local histories, as AR (2012) imply. It is the history of the modes of organizing the development of that generic capacity: the development of society's productive forces (Marx, 1973, 83–100; Iñigo Carrera, 2014, 557–8).

Institutions, NIE authors argue, are the "rules of the game"; they structure human interaction by reducing uncertainty (North, 1991, 97–8). Put differently, they are the norms that regulate the allocation of individual labor capacity for the production of social use-values; "formal" or "informal," institutions *are* social relations of production.

As such, institutions do not arise out of thin air; they are the product of individuals' conscious and voluntary actions. Yet, these are themselves expressions of the process of social reproduction and, therefore, bearers of historically specific forms of human interaction. Hence, institutional settings do not "drift," or change through slow-paced learning or shock-triggered adaptation, as NIE authors claim (AR, 2012, 123–4; North, 1991, 108–11). Nor are they the underlying drivers of human development. Rather, they develop as an expression of the human interaction they regulate. In other words, institutional settings are forms of organizing the material unity of social labor and, thus, the development of its productive potencies (Marx, 1973, 164–5; Iñigo Carrera, 2014, 557).

Undoubtedly, historical development has witnessed a wide range of institutional forms, as rightly noted by NIE authors. Yet, all institutions analyzed by them share one key characteristic: they are *direct* forms of regulating social production and consumption. In general terms, NIE "economic institutions" are norms that regulate the allocation of inputs (including labor) and output when markets are not fully developed or, when they are, norms supporting them, while "political institutions" are rules that regulate the forms through which the latter come to life or are socially validated. Through them, the material unity among the different individual parts of social labor is organized before individual production processes are performed. In a nutshell, the main problem with NIE analyses of institutions and long-term human development is that they do not consider the process of exchange of products of labor, the market, as a historically specific institutional form of regulation of social reproduction (Ankarloo and Palermo, 2004). Rather, it is regarded as the natural form of organization of social labor, whose development depends on that of supporting institutions and technologies reducing "transaction costs" (North, 1991) or the "fundamental problem of exchange" (Grief, 2000). They accomplish this naturalization by transforming every type of social interaction into an exchange, thus pricing every human action and materialized action involved in social reproduction (Fine and Milonakis, 2003).

Certainly, as long as humans perform work for each other, regardless of how their relationship is established, the product of one individual's labor passes to others for individual consumption, in a more or less developed system of social division of labor. Still, the key issue at stake is the *general* form under which this process of human interaction is organized — *i.e.,* whether the impersonal process of exchange *indirectly* regulates the allocation of individual labor capacities to the production of goods useful for human life or whether this comes about through *direct* social relationships among persons (Marx, 1973, 156–59; Iñigo Carrera, 2014, 557–58). Or, in NIE terms: the “risk” of mismatch between individual labor capacities and social needs has been present in all human societies. Yet, the type of “uncertainties” involved in human interaction, and hence societies’ institutional responses to deal with them, have differed depending on the form in which social labor is organized. Societies where the allocation of individual labor capacities was, in general, decided through personal relations faced certain kinds of risks; none involved performing a productive activity that only *ex post* is known whether it had been, when performed, socially useful or a waste of human energy.

Despite NIE treatment, the process of exchange is itself the result of human historical development, and it has only become the *general* form of organizing social reproduction with the advent of capitalism. It is only when the different individual organs of social labor are performed privately and independently of each other that exchange becomes the general human action connecting them, and that the products in which they materialize thus acquire the capacity to regulate their allocation for the production of social use-values. And this only occurred when the individual producers became separated from their means of production and the capacity to perform productive work became itself a commodity. In previous historical stages, the capacity to organize social labor was carried as a personal attribute of individuals not as a social power of the products of their labor (Marx, 1973, 163–65,; Iñigo Carrera, 2014, 558–60).

This misconception by NIE authors has important ramifications when accounting for comparative development of contemporary societies. Their failure to understand the specificity of exchange leads them to overlook the historical specificity of capitalism. And as a consequence, they fail to grasp the historical potencies, and contradictory forms of developing them, of this mode of production. Moreover, this inability hinders comprehension of the essential characteristics and historical necessity of previous stages of human development (Marx, 1973, 105).

As noted, for most of human history the organization of social labor was done through direct social relations between persons

— crucially, relationships of personal dependence of various kinds. One of Marx's key scientific discoveries was the historical specificity of the capitalist mode of producing human life: the organization of social labor is regulated indirectly and autonomously, through the exchange of the products of privately- and independently-performed labor processes, under the form of capitals producing with no purpose other than to maximize their valorization and never-ending expansion. In other words, the *thing-like* general social relationship among private and independent producers, the commodity, becomes the *automatic subject* of social reproduction, which takes the historically specific form of the accumulation of the total social capital. Indeed, capital is not simply an instrument of production or an "organization" developed to reduce "transaction costs," but the material product of privately performed social labor acting as an autonomous power that organizes the allocation of each individual production and consumption process by pursuing its boundless self-expansion (Marx, 1976, 125–269; Postone, 1996, 75–83; Iñigo Carrera, 2014, 557–59).

When social labor is organized under this indirect and autonomous form, individuals not only have to put all their senses, consciousness and will to produce for markets. They also need to represent the exchangeability of the commodities they own. In the process of social reproduction, then, they relate to one another not as individual persons but as personifications of commodities who recognize each other as owners of private property. Hence, the most fundamental economic institutions analyzed by NIE authors, private-property rights and the contracts in which these objectify, are the simplest direct social relationship between personifications of commodities through which the general indirect social relationship of exchange comes about (Marx, 1976, 163–77; Iñigo Carrera, 2014, 557–59).

Organized as a process of capital accumulation, social reproduction becomes, for the first time in human history, a universal process. Not only the impersonal character of market transactions allows the interaction of spatially dispersed organs of social labor under the form of individual capitals. As an expression of capitalism's historical potencies to produce "universal individuals," the boundlessly expansive nature of capital accumulation itself necessarily results in such ever-increasing interaction. Yet, due to the private form under which social labor is realized, capital accumulation has so far existed as formally independent national processes that constitute politico-economic units in themselves. The world market, then, is not the "context" in which individual capitals and national economies develop, or simply the sum total of national markets interconnected through flows of commodities, money-capital and labor-power, as mainstream economics considers it. Rather, national markets/economies are integral parts of the totality constituted by the world market/economy, and hence the forms in which capital accumulation on a global scale realizes itself (Marx, 1976, 702, 929; Iñigo Carrera, 2008, 148–9).

As AR claim, economic institutions are the product of political actions shaped by existing political institutions. In capitalism, the subjects of these direct forms of regulation of social labor are, contrary to NIE authors, individuals who, in the process of social reproduction, are specifically determined as persons whose wills reside in the commodities they own. The capitalist state is the most universal direct social relation through which the process of capital accumulation comes about. Its specificity arises as a relationship of general solidarity between personifications of commodities, differentiated into social classes, that overcomes their inherently antagonistic relation potentially disrupting the normal flow of the process of capital accumulation, yet it confronts them as an objectified, coercive power. Put differently, the capitalist state is the general political representative of the process of capital accumulation in its unity, produced in the struggle over conditions of sale and use of labor-power between collective personifications of commodities, the working and capitalist classes. As such, the capitalist state subsumes all the direct actions that make effective the normal conditions of exploitation of labor-power (and, of labor's natural substratum) and centralizes portions of social labor under public or private control whenever required for the production of relative surplus-value and the normal accumulation of the total social capital (Marx, 1976, 373–413; Iñigo Carrera, 2008, 95–108).

Hence, political institutions, and the class-based political processes through which they come about, cannot be considered as autonomous forces that shape national *capitalist* developmental patterns, as NIE authors suggest. Rather, they are forms of realization of capital accumulation on a global scale, through the specific determination of each national constituent part (of national fragments of social labor), and therefore their interaction. The latter not only takes form in political and economic institutions that "shape" national developmental processes, but also in the state's political (including military) and ideological representation in the world market of each national portion of the total social capital (Iñigo Carrera, 2008, 150–64).

## 5. *Global Capital Accumulation and National Uneven Development*

The development of social labor's productive capacity takes form in the objectification of human subjective productivity — *i.e.*, in the production of means of production. In capitalism, this process comes about through the production of relative surplus-value. In the short run, before competitive pressures generalize the conditions that allow the gains, productivity improvements reduce production costs, thus increasing the profit rate of those individual capitals that first obtain them. In the long run, as new technical conditions become the norm, and competition forces down the cost of producing commodities, productivity gains directly or indirectly reduce the value of labor-power of a given quality, thus expanding the surplus-value available. The process of "creative destruction" thus becomes a condition for individual capital's long-term, *normal* valorization. The development of machinery is capital's most potent, and historically specific, form of increasing social labor's productivity. This process centers on transformation of the productive potencies of individual labor into a scientifically regulated social power that remains alienated in capital as a power objectified in the machinery (Marx, 1973, 699–711; 1976, 508–17; Postone, 1993, 336–49; Iñigo Carrera, 2014).[1]

Nevertheless, though inherent to its process of accumulation, and to its historical potencies, capital makes every effort to avoid, or retard, this expensive and intrinsically risky process of "creative destruction." When necessary through the direct actions of its general political representative, the state, capital thus realizes its boundless self-expansion not simply by looking for new markets, but also by searching for locations where particular natural or historical conditions allow it to reduce production costs and increase the mass of surplus-value available for accumulation without investing in productivity-enhancing technological developments.

1 Machinery presupposes a degree of development of labor's productive capacities that is only fully developed when the individual organs of social labor are performed privately and independently of each other.

5.1. *The classical international division of labor (CIDL).* Originally, the global expansion of capital accumulation centered on the search for locations where, thanks to favorable non-reproducible natural conditions, primary commodities could be produced at a lower cost, giving place to the CIDL (Marx, 1976, 579–81; Iñigo Carrera, 2014, 563). This form of incorporation of portions of the planet into the global circuits of capital accumulation, however, was embedded with a structural contradiction that determined the long-term pattern of capitalist development there. If the total social capital managed to reduce the value of labor-power, gains were partly offset by a drain of surplus-value towards the owners of the natural conditions of production in the form of ground-rent (Marx, 1981, 779–823). Industrial capital became, then, driven to overcome this barrier to its accumulation capacity by specifically shaping those spaces of valorization, which have included Argentina and ANZ, in order to recover part of that surplus-value. From being simply a source of cheaper primary commodities, they also became sources of ground-rent for "global" capital (Iñigo Carrera, 2008, 153–55; Grinberg and Starosta, 2014, 241–42).

Until approximately the 1930s, the process of capital accumulation through ground-rent appropriation generally revolved around production, transport and international trade of primary commodities. Capitals invested in those and related sectors, as well as foreign creditors, became the landowners' main partners in the appropriation of local ground-rent. But then, and crucially after World War II, this position was taken over by industrial capital invested in manufacturing, which originated the bulk of the surplus-value forming the global ground-rent (Iñigo Carrera, 2008, 155–62).

Appropriation of ground-rent by industrial capital has come about through specific state actions. Some have channeled ground-rent to capital's profits directly by lowering foreign-exchange, raw-material and labor-power domestic prices. Others have done so indirectly through state activities funded with ground-rent appropriated through commodity-trade taxes or monopoly. A third type have shielded the domestic markets to effect capital's appropriation of the separated ground-rent. Put differently, policies associated with ISI have been forms of realization of processes of accumulation based on the recovery of ground-rent by global industrial capital (Iñigo Carrera, 2006;

Grinberg and Starosta, 2009, 767–69).[2] Thus structured, these processes have been subject to swings in the amount of ground-rent available for appropriation through them. Hence, the "rules of the game" have tended to be more unstable than in the industrially advanced countries.

This specific determination of these spaces of accumulation has allowed industrial capital to recover a portion of the ground-rent. The process, however, has rested on inherently contradictory foundations. Producing on a small scale with outdated technologies for domestic markets, capital's valorization has depended on the evolution of the ground-rent available to compensate for production costs above world-market standards (Iñigo Carrera, 2008, 156–62). Moreover, by lowering primary-commodity domestic prices, the political forms of appropriation of ground-rent by social subjects other than landowners have also restricted the intensive and extensive investment of capital and, thus, the growth of primary production and the available ground-rent. In other words, these policies have pushed out of production portions of capital that would have, intensively or extensively invested, yielded normal profits and some rent (Iñigo Carrera, 2007, 101–22).

As noted above, despite their particularities, which have resulted in greater political and economic stability, and higher wages and per-capita GDP, ANZ have not been exceptions to this general trend among primary-commodity exporters. These particularities, however, have not sprung from the "inclusive" institutions that developed from the "settler" forms of occupation of these territories by Europeans, as claimed by most NIE authors. Rather, they have resulted from the historical development of this specific form of capital accumulation there. First, distance from markets created early incentives for industrial capital to undertake locally the first stages of bulky raw-material processing, and even some equipment repair/manufacturing, thus resulting in earlier and more diversified industrialization. Second, access to a wide range of low-cost minerals, in which rent materialized, and participation in both World Wars, favored the earlier and more extended development of base-metal and mechanical industries, especially in Australia (Cochrane, 1980; Dieguez, 1969, 554–58). Third, larger distance from markets and comparatively worse ecological

2 See Iñigo Carrera (2007); Grinberg (2013b, 2015) for the measurement of ground-rent appropriated by different social subjects in Argentina and Brazil.

conditions of ANZ's agrarian lands have given place to lower levels of "taxation" of rent-bearing commodities and, hence, to more extensive and intensive application of capital to, and higher rent yields on, lands of a given quality/location (Ferrer and Wheelwright, 1966; Iñigo Carrera, 2013, 664–65). Fourth, largely as a consequence of the previous points and the type of work-force thus required by industrial capital, but also of their continuing role as recipients of Western European surplus populations, ANZ's large migratory inflows were, until the 1980s, made of skilled workers from industrially advanced countries, especially Britain, who not only had to be attracted with relatively high wages, but also had long histories of class struggles that, together with the relative isolation of these countries, reduced, crucially through racist state policies, capital's use of low-wage, non-white workers (Dieguez, 1969, 548–49). It was due to all of these particular conditions that ANZ's industrial development, and the politico-economic institutions through which the process has come about, have been closer, than Argentina's and Uruguay's, to those of the industrially advanced countries, at least with regard to the activities of the white European-origin populations.

If the origins of these societies as places of European settlement mattered for their long-term capitalist development, it was mainly through the enlargement, though not sufficiently for capital-goods production, of domestic markets for manufactures that resulted from the relatively fragmented pattern of land ownership and the absence of an extended parasitic landowning class, especially in NZ (Alvarez, Bilancini, D'Alessandro and Porcile, 2011). Still, this specific structure of landed-property relations did not result *simply* from the political struggles permitted by existing political institutions, as AR (2012, 319–23) claim; they were its concrete forms of realization. The underlying cause lies elsewhere: the process consolidated through the mid-19th century, when the inflows of British surplus populations (necessary for the expansion of grain production complementing gold mining and wool farming in Australia, and of meat and dairy production in ANZ), accelerated, and voluntary migration replaced convict transportation; thus reversing previous trends towards agrarian production based on large landowners/capitalists employing bonded labor (McMichel, 1980; Alvarez, *et al.*, 2011). English migrants would have hardly ventured to cross the globe *en masse* to settle in ANZ to work as low-paid rural workers, as Italians and Spanish did in Argentina and Uruguay.

Now, in the post–World War II period, the ground-rent available for appropriation in this type of national economy increased strongly and, generally, remained thereafter sufficient to sustain expanded reproduction through ISI. By the mid-to-late-1970s, however, the structural limits of this mode of capitalist development became evident and turned into crisis. Raw materials prices went into long-term decline, negatively affecting the evolution of ground-rent, while the ever-widening productivity gap and on-going transformations in the IDL meant that industrial capital's requirement for ground-rent to compensate for the small scale of production increased strongly (Iñigo Carrera, 2006, 195–96; Grinberg, 2010, 189–92).

The slow growth of ground-rent *relative to* capital's requirements manifested itself, crisis mediating, in reversal of the previous process of state-promoted industrial "deepening" (*e.g.,* in selected trade opening, privatization, tax-credit cuts, public-sector "reform"), resulting in substantially weaker economic growth than during the pre–mid-1970s period. Moreover, as a consequence of these developments, in most of these national spaces, capital accumulation began to rely on even more contradictory sources of extraordinary surplus-value: payment of labor-power below its value, large-scale external loans, and privatization revenue. Hence, the "developmentalist" policies of the high-rent, high-growth pre–mid-1970s period gave way to broadly neoliberal states. In places like Chile and NZ, this meant the wide-ranging dismantling of ISI programs (Grinberg, 2010; Lattimore and Euaqub, 2011). In places like Argentina and Brazil (AR, 2012, 496–98 notwithstanding), it meant their reproduction under more limited forms characterized by lower levels of average protection of domestic markets but, also, their enlargement through Regional Trade Agreements (RTAs) with similarly structured economies (Grinberg, 2010). In most of South America, this policy shift began under authoritarian regimes. Still, neoliberal policies coincided with the democratically elected governments of the 1990s. The large reserve armies of unemployed, built up since the mid-1980s, as well as the lasting impact of previous repressive political processes, relieved capital from relying on politically expensive means of squeezing wages (Iñigo Carrera, 2006, 196–98; Grinberg, 2010, 190–91).

The relatively weak economic performance of Argentina and NZ, and the de-industrialization and real-wage compression taking place there during much of the post–mid-1970s period (Iñigo Carrera, 2006;

Lattimore and Euaqub, 2011) should, then, be seen as an expression of the slow growth of ground-rent relative to industrial capital's need to valorize normally. Likewise, the relatively prosperous state of affairs during most of the 2000s expressed the strong recovery of primary-commodity prices and hence of the ground-rent available for appropriation, through state mediation, by different social subjects. In Argentina, and in more "market-friendly" Brazil, this recovery came about through the reintroduction of some public policies that had characterized the "developmentalist" stage of ISI (Grinberg and Starosta, 2014, 251–70). The much milder, if noticeable, reproduction of "old-fashioned" ISI policies in post-1980 NZ was not due to judicious state bureaucrats operating under "inclusive" institutional settings. Rather, it has expressed the insufficiency of the local ground-rent to support them. Given the limited size of domestic markets and the strongly increased requirement for ground-rent by industrial capital to valorize normally, it became no longer feasible for capital to appropriate ground-rent there through extended state policies in support of local industry. In the post–mid-1970s period, the process of capital accumulation through ground-rent recovery in NZ has come about, as in Chile, through politico-economic forms resembling those in place before the 1930s. As then, ground-rent has been mainly appropriated by (largely foreign) capital invested in primary-commodity processing (*e.g.,* food, wood-product, aluminum and metallurgic industries) and in the "naturally" protected service sector.

Within this group of national economies, Australia stands out as a rarity: per-capita output continued growing there strongly during much of the post-1970s period, while wages remained stable. Still, again, the reason behind this growth performance lies not in the existence of "inclusive" institutions leading to economic policies that avoided the "resource curse" and relapsing into ISI, as occurred elsewhere. Instead, it resulted from particularly favorable conditions. Rich in low-cost coal and base metals, the Australian economy has particularly benefited from the post–mid-1960s relocation of large parts of the metal-mechanical industries to East Asia. Australian primary production enjoyed a strong expansion even when international primary-commodity prices collapsed after 1975; the local ground-rent remained, unlike in Argentina, Brazil and Uruguay, at early-1970s levels before it increased exponentially in the post-2003 period. Moreover, contrary to common-law traditions, mineral resources in

Australia are state-owned, thus allowing capital to appropriate the entire ground-rent materialized in them without private landowner participation. Partly thanks to this, external loans continued, unlike in Argentina, Brazil and Uruguay, inflowing in large quantities during the 1980s, compensating for the failure of ground-rent to increase. As in NZ, with a relatively small domestic market and most of its neighbors shifting away from ISI, and thus limited space for RTAs directed at expanding protected domestic markets, state policies supporting local industry would be withdrawn more assertively in Australia than in Argentina and Brazil. Nevertheless, some old-style policies channeling ground-rent to capital invested in consumer-goods manufacturing remained in place there during most of the neoliberal period. Specific taxes on mining-capital operations and natural-resource royalties have complemented state-induced exchange-rate overvaluation in separating a portion of ground-rent from the turnover cycle of primary-sector capital. Meanwhile, a combination of subsidies, tax breaks and, until recently, market protection has allowed industrial capital to appropriate the separated portion, especially in the textile/clothing/footwear industries and the largely foreign-invested, small-scale and internationally uncompetitive motor-vehicles industry (Bucifal, *et al.*, 2009).

5.2. *U. S. exceptionality.* If the post–mid-1970s performance of the Australian economy contrasts with that of most primary-commodity producing economies, the U. S. long-term experience stands out as an absolute singularity among ex-colonies. It is the only ex-European colony that became an industrially advanced economy, where capital accumulation finds its dynamism in the active development of scientific knowledge and its technological application — *i.e.*, in the active production of relative surplus-value.[3] The forces that explain this singular trajectory, however, are not those signaled by AR, namely, the non-existence of large native populations to exploit leading to the consolidation of "inclusive" political and economic institutions. Nor do they lie in the cultural origin of this society or the "factor endowments" of the colonized territories, as claimed by other NIE authors. Rather, they are found in the specific form under which the Northern and Middle colonies were incorporated into the circuits of accumulation of European, especially British, capital.

3 Though originally structured like the Australian and Argentinian, the Canadian economy gained this capacity only when it became integrated with its U. S. counterpart through the 1960s (Schedvin, 1990).

As is well known, Europeans did not find in these territories natural conditions favorable for world-markets primary-commodity production, either with native population, had these been available in proper quantities and with suitable qualities, or with imported slaves, as happened elsewhere, including the Southern colonies. Yet, natural conditions in the Northern and, especially, Middle colonies were suitable for the settlement of European surplus populations which were growing strongly, particularly in Britain, as a result of violent separation of direct producers from the land that created the class of doubly-free sellers of labor-power, and, as the Industrial Revolution gathered momentum, due to the incipient process of labor-saving technical change (Marx, 1976, 572–79, 877–95; Post, 2011, 171–72; Iñigo Carrera, 2008, 153–54). Indeed, in Iberian America, only those places where valuable primary commodities could be produced were taken over by Europeans. Wherever this was not the case, as in most of the Southern Cone, territories were left untouched. Whenever native populations were not available or suitable, as in New Granada and Brazil, African slaves were brought over. In other words, the existence of large native populations subjected to well-organized systems of forced tributary labor that could be taken advantage of was a plus for the Spanish colonizers; it was not the basis for the existence of these colonies (Monteiro, 2006; Iñigo Carrera, 2013, 23–54).

Then, unique conditions prevailed in the Northern and Middle colonies. Given the ecological characteristics of the mostly forest-covered land and the prevailing transport technologies, these territories barely yielded ground-rent. With few incentives for landowners to enforce their property rights, migrants could become petty-commodity producers. Moreover, as individuals who were free from relationships of personal dependence, Western European, especially British, surplus populations could not be shipped to the colonies to work there as forced laborers, as originally attempted by private colonial enterprises; at least not in large numbers. They had to be "attracted" by the prospects of a life as independent producers with juridical and political rights at least equal to those enjoyed in their homeland. As in all episodes of unforced migration, those who thought to benefit the most from the venture, in this case religious dissidents in search for their "promised land," led the way, acting as a low-cost military outpost for British interests in the region (Vickers, 1996).

These specific initial conditions had a decisive impact on long-term capitalist development there. They gave rise to rapid population growth, and thus to a potentially extended domestic market, a necessary condition for "early-follower" large-scale industrialization. They created a large skilled workforce in the domestic and township craft industries. And, crucially, they resulted in emergence of local commercial capital, which traded and transported, legally or otherwise, imports from Britain and the West Indies against the surplus, raw or semi-processed, product of petty-commodity producers, and of some normal-size capitals as in the cod fisheries, for the ever-expanding markets in the Sugar and Wine Islands and the Southern colonies, thus reducing the cost of using slave labor and producing primary commodities there. With primary-commodity exports to Britain relatively unimportant and local producers/consumers largely small-scale and dispersed, investments in these commercial activities were unattractive to British capital *vis-à-vis* alternative opportunities elsewhere and were thus rapidly taken over by resident firms. Moreover, these activities required, unlike those taking place in plantation colonies, an extended network of specialized traders (Vickers, 1996; Post, 2011, 186–7).

With a relatively small ground-rent to appropriate, as evident in the pattern of international trade and land occupation, the long-term limitations to capital accumulation existing in other colonies (*e.g.*, imperial efforts to impose taxes and regulations), were mostly absent or weakly enforced. Conversely, being a low-cost buffer against the permanent French and Indian threats to British interests in Continental America, the Northern and Middle colonies were allowed greater breathing space than those existing elsewhere in the colonial world; a "salutary neglect" (Henretta, 1972). Ground-rent remained with small capitals, thereby expanding markets for British manufactures. Yet, valorizing itself largely through interaction with a multitude of petty-commodity producers, the accumulation capacity of local commercial capital was inherently limited. And so was that of the incipient industrial capital, given imperial attempts to regulate local production to favor British manufacturing, however imperfectly and inconsistently, and the short supply of wage laborers. To realize its boundlessly self-expansive nature, capital accumulation thus needed to rely upon the unrestrained development of industrial capital extracting surplus-value from doubly free workers.

The normal development of industrial capital beyond raw-material processing (which included shipbuilding and iron-making) could not, however, occur within the boundaries of the British Empire. It required its own general political representative accelerating (to the speed necessary to make the process viable) its centralization and learning processes (through market protection, subsidization and infrastructure investments), required to catch up technologically with world-market norms, increasingly set by British industrial capital, and generating, through unrestricted internal/external migration as well as formal education, the class of wage workers that the colonial economy lacked (Marx, 1976, 931–40). Hence, British tax increases and regulations, or the stricter enforcement of those already in place, after the Seven Years' War, when the French threat finally waned, were not the underlying cause of political independence. They simply triggered it by affecting the normal valorization and expansion of industrial and commercial capital in the Northern and Middle colonies and thus setting in motion a process that could only lead to political independence.

In sum, the conditions for capital accumulation to take its most potent, and thus dynamic, form were uniquely present in the northern part of the present-day USA. These also included an extensive territory, self-sufficient in raw materials, not least with easy access to large amounts of high-quality iron ore and coal, a necessary condition (though not sufficient as the Australian experience shows) for the early development of capital-goods industries.

Thus, it was not common institutional settings or cultural heritage, had these been present, that led to the conformation of a large federal state merging the Thirteen Colonies of British North America, as argued by NIE authors (North, *et al.*, 2000; AR, 2012). Rather, the slow-maturing political unification resulted from Northern industrial capital's need for an extended domestic market and a large, yet internally differentiated, class of doubly-free laborers, as evident from the experience of the Civil War and the process of disenfranchisement of, and violence against, the black population that ensued afterwards in the Southern states. There, economic institutions moved, under northern force, toward expanded private property over workers' own labor-power, while "exclusive" political institutions emerged that limited this development, as AR (2012, 455–61) acknowledge.

By contrast, Latin American political independence produced a different economic result: elimination of the Iberian states and commercial capital from the business of ground-rent appropriation. Expressively, they took place 50 years after U. S. independence, a delay that itself limited the region's chances to jump onto the industrialization bandwagon, and resulted in political, and thus market, fragmentation. Indeed, for all practical purposes, those processes simply replaced Iberian crowns with the "informal" control of the British Empire, where the largest part of the surplus-value materialized in the ground-rent originated (Iñigo Carrera, 2013, 94–5). Even if the forms of recovery of Latin American ground-rent by capital began to differ from those prevailing during the Colonial period, European powers did not spare the use of military force to block any attempt to promote local industry beyond that complementing primary production (Lynn, 1999). Only when industrial capital began to directly recover ground-rent, an "independent" nation–state with the capacity to promote small-scale local industrial production became a necessity for the global process of capital accumulation (Iñigo Carrera, 2008, 156–9).

Certainly, U. S. singularity, in which capital accumulation took the same general form as the national process that had engendered it, has come about through political and economic relations (including institutions) different from those prevailing in LA, whatever this means in terms of their real "inclusiveness." Yet nothing has prevented these so-called "inclusive" political institutions from promoting "exclusive" ones elsewhere, under the ideological cover of being done to avoid emergence of even more "exclusive" ones. It should be stressed, nevertheless, that U. S. politico-economic institutions, some of which have been also present in less innovatively dynamic societies like ANZ, have not been the reason for its rapid transformation into an industrial power or the cause of the inability of other nations to follow suit. These intra- and inter-state processes have been forms of realization of the global unity of capital accumulation through the specific determination of each national space, including the relative strength of their political representatives.

5.3. *The new international division of labor* (*NIDL*). As with every form of the production of surplus-value on a global scale, the IDL has also been subjected to the former's continuous development. During the last 40 years or so, these have experienced profound transformations as a result of computerization and robotization of large-scale industry, especially since the "microelectronics revolution" of the mid-1970s. Though the process is inherent in the capitalist development of society's productive forces (Marx, 1976, 492–553; Iñigo Carrera, 2014, 564), this leap forward in machinery automation has strongly accelerated the internal differentiation of the collective laborer of large-scale industry. Technological transformations have involved the further expansion of the productive capacities of wage-laborers performing the more complex parts of the work-process while greatly simplifying the functions of manual laborers remaining on the shop-floor as operators or appendages of increasingly automated machines, whenever these have not been replaced altogether and workers transformed into a surplus for the process of capital accumulation. The cost of producing both types of productive attributes has, then, tended to increasingly diverge. Moreover, the new technological base has generated, while continually eliminating, a multitude of production processes still subject to the manual intervention of low-skilled laborers in the assembly and testing of electronic components and devices (Balconi, 2002; Iñigo Carrera, 2008, 56–9; Grinberg and Starosta, 2009, 771; Grinberg, 2013a, 178–82).

An expression of the production of relative surplus-value, those transformations in the productive attributes of the collective worker of large-scale industry have been global in terms of their general dynamics and historical potencies. Still, they have led to a novel differentiation of national spaces of accumulation and the reconfiguration of the IDL, even if most primary-commodity producing regions retained their previous mode of participation. Based on these transformations in the labor-process, and the associated revolution in communication and transportation methods, industrial capital has become increasingly able to spatially disperse the different parts of the labor-process according to the most profitable combinations of costs and productive characteristics of the different national fragments of the global collective worker, thus giving birth to the NIDL, superseding the CIDL (Iñigo Carrera, 2008, 55–93; Grinberg and Starosta, 2009, 771–73; Grinberg, 2013a, 180–82).

As a general trend, the NIDL has revolved around the (re)location of simplified labor-processes where industrial capital can access labor-forces that are not only *relatively* cheap but, also, whose specific attributes include the disciplined subordination to centrally and hierarchically organized collective labor-processes, such as the wet-rice cultivating societies of East Asia. Those characteristics have made the East Asian labor-force particularly productive as an appendage of the increasingly automated machinery systems or manual assembly operations; hence the region's ubiquitous participation in the NIDL and its consolidation as a global powerhouse (Iñigo Carrera, 2008, 65–72, 76–83; Grinberg and Starosta, 2009, 771–73; Grinberg, 2013a, 182–83).

As with any other global-scale economic process, the NIDL has come about through specific national-level institutional developments. The so-called "developmental state" has been the most characteristic political form of realization of the East Asian processes of capital accumulation as an expression of the aforementioned transformations in the production of surplus-value on a global scale. Despite different national particularities, all East Asian developmental states not only centralized capital in production with large-scale economies and positive "externalities" while "nurturing" private infant industry, as AR (2012) argue. They have also repressed decisively the local working classes, while upgrading worker skills (Grinberg and Starosta, 2009, 772–73; Grinberg, 2014, 725–26). In contrast to Japan and the first two generations of followers (the so-called Tigers and Dragons), prevailing economic (though not political) institutions in Vietnam, China and North Korea worked against their early participation in the NIDL. Only when the benefits for global capital associated to the new modality of accumulation became sufficiently important, have economic institutions there begun to change, more rapidly in the former two, significantly more slowly in the latter.

Contrary to Fröbel, *et al.*'s seminal analysis (1980), processes behind the formation of the NIDL have not been static. Though the NIDL initially centered on the international relocation of "unskilled-labor–intensive" industries, such as clothing, footwear and electronics assembly, the transformation in the work process has increasingly affected relatively complex sectors: chemical, steel, shipbuilding, motor-vehicle, and microelectronics production/design (Balconi, 2002; Ernst, 2001). East Asian labor forces began to be reproduced, increasingly through state mediation, under new conditions that have enabled them to perform ever more complex activities. Nevertheless, accumulating through the use of a *relatively* cheap and disciplined workforce, industrial capital there has remained largely freed from the need to actively pursue the process of vanguard "creative destruction." AR notwithstanding, East Asian investments in innovation have been largely focused on specific industrial sectors, especially motor-vehicles and electronics, and on applied technologies rather than basic scientific knowledge, where the ultimate source of the so-called Schumpeterian rents lies (Iñigo Carrera, 2008, 146–48; Starosta, 2010).

These transformations have manifested themselves in a process of industrial upgrading/deepening in the East Asian Tigers, through widespread improvements in the quality of the labor force and, hence, in payment and working conditions. This took shape not only in "developmental" policies to solve "market failures" through promotion of technical training and tertiary/higher education (Cheng, 1992; Shin, 2004, 132–34, 166–69). It also came about through political democratization enhancing labor's capacity to struggle for such improvements, especially in SK where industrial upgrading/deepening advanced the most (Wakabayashi, 1997; Koo, 2001, 153–87). Production in "unskilled-labor–intensive" industries then contracted in these countries while it was expanding in others (*e.g.,* Malaysia, Thailand, Indonesia, Mexico and China) where surplus peasant populations with relatively similar characteristics were still prevalent, real wages lower and the process of ground-rent–supported ISI was clashing against its limit in the wake of the early-1980s "debt crisis" (Iñigo Carrera, 2008, 83; Grinberg, 2014, 719–20).

Hence, SK's transition from "exclusive" to "inclusive" political institutions did not result from the virtuous growth dynamics under supposedly "inclusive" economic institutions. Rather, it has resulted from the dynamics of global capital accumulation. Contrary to AR, both types of political institutions have mediated local economic development as an expression of the material transformations in the work process and concomitant changes in the production of surplus-value on a global scale, which have manifested themselves in the formation and ongoing development of the NIDL.

## 6. *Conclusion*

This paper has advanced a critique of the NIE approach to long-term economic development, especially the AR variant. This critique challenges both the empirical and the theoretical relevance of the approach, finding that it fails to properly uncover the historical specificity of institutional forms of regulation of social reproduction. After presenting an alternative "theory of institutions," the paper studied various historical processes analyzed by NIE authors, crucially AR. For this purpose, the account put forward here drew on two methodological insights from the Marxian critique of political economy: that capital accumulation, the contemporary form of regulation of social metabolism, is an autonomous process; and that it is global in content, national only in its forms of realization.

In capitalism, the political forms of human interaction, at both local and international levels, and resultant national development patterns, should be seen as forms of realization of the process of capital accumulation on a global scale, the unity of which is established in the production of relative surplus-value and the concomitant formation of the international division of labor. While in some national spaces capital accumulation fully realizes the historical potencies of capitalism, in others it comes about through economic forms that go against these generic potencies. Moreover, the different modalities of capital accumulation have come about through specific sets of public policies and underlying political processes, even if eventually sharing similar "fundamental" institutions.

Hence, it is not nations that fail. NIE authors fail to understand the historical necessity of institutions and, especially, the specificities and potentialities, and contradictory development, of the capitalist mode of producing human life. Their contributions, then, seem to be circumscribed to producing the theoretical discourse supporting neoliberal reforms implemented in the "developing" world since the 1980s.

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