

STRATEGIES OF ECONOMIC DEVELOPMENT

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Resumo: A metodologia moderna de estudo do desenvolvimento econômico destaca a importância de estudos empíricos envolvendo as experiências de diferentes países em suas estratégias de promoção do crescimento econômico. A idéia é que o desenvolvimento econômico é mais uma questão de políticas econômicas apropriadas do que uma questão de características estruturais de cada economia. Alguns pontos das estratégias de desenvolvimento econômico adotadas por Brasil e Coréia do Sul desde o início dos anos 60 são comparados em uma tentativa de explicar a *performance* econômica superior do último, no período. O estudo reconhece a importância de políticas econômicas apropriadas no processo de desenvolvimento econômico.

Palavras-chave: Desenvolvimento Econômico; Crescimento econômico; Política Econômica; Economia Sul-coreana; Economia Brasileira.

1 INTRODUCTION

An interesting point about the history of economic development is that it is made by examples of success and unsuccess. The concept of success, in this case, might be quite complex but what we have in mind is the capacity of a country to maintain a high rate of economic growth and, at the same time, to share equally the benefits of such growth.

It's not pure coincidence that in the last three decades most of success stories are found in the southeast asian countries and most of the unsuccess in the Latin America countries. Having most of the countries in these two different regions followed different economic development strategies, a natural question arises: what are the main differences concening economic policies and what are the lessons that can be taken from the examples of these countries?

The idea of this paper is to try to answer such question through a comparative study involving the economic performances of a country which is considered a success story - Republic of Korea - and a country which, although should not be considered an unsuccess story, can be viewed just as a promise of success - Brazil.

Indeed, Korea was able to transform completely the structure of its economy and to increase substantially the standard of living of its people, in a period of just one generation. The country starts the '60s as a rural and closed economy with a poor per capita Gross Domestic Product (GDP), but arrives to the '80s as a dynamic semi-industrial open economy with one of the highest per capita GDP, among the Less Developed Contries (LDCs). On the other side, Brazil starts the '60s as a great promise of economic development, but arrives at the '80s as a stagnant economy with serious problems of income distribution, inflation and economic growth.

It should be noted that comparative studies based most on some economic and social data, as it will be the case of the present one, are not conclusive. In such a case, broader parameters such as political environment, geographical and historic factors, traditions and culture certainly should be considered. We think, however, that the present work, even not being comprehensive, can be useful in the identification of appropriate economic policies to promote economic development.

In section 1, we present some similarities and differences between Brazil and Korea in the beginning of the '60s and then, one generation later, in the mid '80s. In section 2, we try to identify the basic causes for the different performances of the two countries and, in section 3, we present some conclusions.

2 BRAZIL AND KOREA: A BRIEF REVIEW

Brazil and Korea start the '60s showing great similarities (see TABLE 1). The population annual growth rates are almost the same, 2.9% for Brazil and 2.8% for Korea. The age structures are very close with both countries showing young populations. The death rate, the birth rate and the life expectancy, which are some of the indicators usually used to verify the overall standard of living of a country's society, are practically the same in each case. Similarities are also found in the adult literacy rate and in the daily per capita protein consumption.

TABLE 1

(continua)

BRAZIL AND KOREA IN 1960		
	BRAZIL	KOREA
1-Similarities :		
. Population (annual growth rate)	2.9%	2.8%
. Age structure : 0 - 14	43.6%	42.9%
15 - 64	53.8%	53.7%
. Crude birth rate (per thousand)	42.7	42.7
. Crude death rate (per thousand)	12.9	13.4
. Life expectancy (years)	54.7	54.0
. Adult literacy rate	61.0%	70.6%
. Daily per capita protein supply (gr)	63.0	57.0

TABLE 1

(conclusão)

BRAZIL AND KOREA IN 1960		BRAZIL	KOREA
1-Similarities :			
. Average GDP growth (55-60)		5.9%	5.7%
. Export-GDP ratio		5.0%	3.3%
2-Differences :			
. Distribution of the GDP : (by industrial origin)	agricult.	16.8%	39.7%
	manufact.	25.5%	12.1%
	trade/finan.	16.8%	13.8%
. Labor force :			
in industry		14.8%	9.0%
in agriculture		51.9%	66.0%
. Urban population		46.1%	27.7%
. Per capita GDP (U.S. Dollars current)		245	154
. Inflation (wholesale prices 55-60)		20.0%	
10.7%			
. Percapita energy consump.(kg.of coal)		385	208

SOURCE: - ASIAN DEVELOPMENT BANK⁽¹⁾- BAER Werner⁽³⁾- WORLD BANK⁽¹¹⁾

By 1960 both countries were also presenting very close GDP growth rates. Considering the period from 1955 to 1960, Brazil has grown at an average annual rate of 5.9% and Korea at a rate of 5.7%. They were also facing increasing inflation problems with accelerating inflation rates. Finally, they were facing increasing political instability which are going to result in military coups in both countries: Korea in 1961 and Brazil in 1964.

Of course, there were differences and the most important one was in the structure of the economy, i.e. the distribution of the GDP among the main economic sectors: agriculture, manufacturing, trade, government, etc. In this case, Brazil was in 1960 a more industrialized country than Korea with more workers employed in the manufacturing sector and with more people living on the cities. Perhaps as a consequence, Brazil also showed a bigger per capita income.

By the mid '80s the portrait is made almost entirely with differences (see TABLE 2). Considering the year of 1985, Korea presented an older and better educated population, with a smaller rate of growth and greater life expectancy than that of Brazil. Korea had an economy growing at rates substantially above those of Brazil and, at that time, was a country as industrialized as Brazil. Korea showed a much better income distribution and had practically eliminated its problem of inflation.

The main conclusion that can be taken from the statistical data presented is that by the beginning of the '60s Brazil and Korea were, in general, in very similar position in terms of economic and social development. By the end of a period of one generation, however, the data turn definitively in favor of Korea.

What explains these different performances? Are there lessons which can be learned? In the rest of this paper we will try to find some answers to these questions.

3 PERFORMANCES OF BRAZIL AND KOREA

In this section we will analyse some of the main factors that can explain the different performances of Brazil and Korea in the last three decades.

3.1 THE CASE OF EQUITY

One of the most controversial aspect of the field of economic development is the possible existence of a trade-off between growth and equity. By it, if a country wants to achieve goals of rapid economic growth it needs to sacrifice its goals of income distribution. Alternatively, if it wants to achieve a better income distribution pattern it will have to accept lower rates of growth. As examples of rapid growth at a cost of high inequalities there are cases such as Brazil and Mexico. On the other hand, socialist countries such as Cuba and the former Soviet Union can be mentioned as examples of great improvements on equity at a cost of rapid economic growth.

TABLE 2

BRAZIL AND KOREA IN 1985		BRAZIL	KOREA
. Population (annual growth rate)		2.2%	1.4%
. Age structure :	0 - 14	41.1%	32.2%
	15 - 64	55.4%	64.1%
. Crude birth rate (per thousand)		30.0	23.0
. Crude death rate (per thousand)		8.4	6.0
. Life expectancy (years)		60.9	69.0
. Adult literacy rate		75%	90%
. Daily per capita protein supply (gr)		62.3	78.0
. Average GDP growth (80-85)		1.8%	9.2%
. Export/GDP ratio		11.0%	35.0%
. Distribution of the GDP :	agricult.	9.8%	13.4%
(by industrial origin)	manufact.	24.8%	28.1%
	trade/financ.	24.2%	21.0%
. Labor force :	in agriculture	14.0%	25.0%
	in industry	35.0%	24.0%
. Urban population		70.3%	65.0%
. Per capita GDP (U.S. Dollars current)		1682	2116
. Inflation (wholesale prices 80-85)		172.0%	5.0%
. Per-capita energy consump.(kg. coal)		1235	1899

SOURCE: - ASIAN DEVELOPMENT BANK⁽¹⁾

- BAER, Werne⁽³⁾

- WORLD BANK⁽¹⁰⁾

Between these two extremes, however, there are countries which seem to contradict the existence of such a trade-off. Among them, Korea appears as a good example. Indeed, in the last three decades, Korea was able not only to maintain one of the highest rate of economic growth among the LDCs, but also to improve the country's pattern of income distribution. A survey* made in 1976 showed that the bottom 40% of Koreans received 18.4% of total income and the top 20% received 46.2% of total income. It also showed that the per capita consumption of the bottom 40% increased, in absolute terms, by at least 75% over the 1961-1976 period. In contrast, by 1970 the bottom 40% of Brazilian received 9% of total income whereas the top 20% received 63.3% of total income**.

Two factors which have contributed for the good results obtained by Korea were the land reform implemented in the late '40s and the early spread of basic education observed in the country. The land reform, although initially not very successful regarding food production, certainly permitted a more equitable distribution of the country's production, factors which resulted in less concentrate income. Besides, the spread of basic education permitted the formation of a very productive worker class, resulting in higher real wages and better income distribution.

There is, however, another important factor which can explain the different results of Brazil and Korea concerning income distribution. It refers to the strategies that each country adopted to face the problem.

In Brazil, the option was more toward the concept of a welfare state in which the access to certain social services is regarded as a basic right of citizenship. Such concept tends to reject any pricing policy that might lead either to restrict access for certain groups or to discrimination on the basis of income. In the Korean case, the strategy was mainly toward a state that should provide social services in order to guarantee a minimum standard, below which citizens need not to fall. But such services are to be provided only for those that really need them, not for everybody. In this case, the main objective is to alleviate the problem of acute poverty, not to provide general social welfare schemes.

The welfare state approach can be appropriate to developed economies which already have a reasonable income distribution and have a strong economic base. When applied in less developed countries, it shows to be very

* WORLD BANK⁽¹⁰⁾.

** BAER WERNER⁽⁹⁾.

susceptible to distortions whereby the final results can be more income concentration and huge government deficits. In this case, Brazil is a good example. Anyone who has a more detailed knowledge of the country's economy knows that the idea of a state which would provide basic services to the entire society such as housing and education, resulted in distortions such as subsidized mortgages and tertiary education to middle and high income groups rather than homes and primary education to those in the lowest income group. Moreover, as the government did not have sufficient sources of income to finance all of its social programs, it turned to budget deficits which caused inflation and its corollary: the highly regressive inflation tax.

The Korean approach looks more reasonable for less developed countries which traditionally are characterized by the existence of a large number of people living in condition of absolute poverty and by the existence of serious government budget constraints. It is more modest but certainly more realistic and have shown to be more efficient. The result is that in Korea absolute poverty have been almost totally eliminated whereas in Brazil it is still a national shame.

3.2 THE CASE OF EDUCATION

Among the factors of production necessary to achieve high standards of economic development, human capital is certainly the most important one. Considering that the quality of the stock of human capital is more important than its quantity, one can easily perceive the importance of education in the process of development. Education implies the existence of a well educated working class which means higher productivity, more competitiveness, higher wages, better income distribution, stronger domestic market, etc.

The emphasis on education is a constant among those countries which have placed economic development as a national goal. But the approaches adopted to face the problem are far from being a common place. Indeed, the strategies toward fundamental questions such as to whom offer public education, what are the levels to be considered priority, who will finance the costs at different levels, are very diversified and are motive for different experiences and results.

Here, again, Brazil and Korea present substantial differences. The main characteristics of the Korean educational system are the absolute prior-

ity given by the government to primary education and the increasing importance of the private sector in providing the service at high levels. In Korea, only primary education is tuition free, with tuition being charged in all other levels at both, public and private schools. As consequence, private schools are negligible at primary levels but become increasingly more important at each higher level of education. The level of tuition is relatively high in both public and private schools, perhaps reflecting the great importance of education in the culture and tradition of Korean society; but the quality of the services provided by them is very similar.

Another important characteristic of the Korean educational system is the great emphasis given to vocational schools. Vocational schools enrollments were always high; they have grown faster than those in general high schools throughout most of the '70s and at present they account for more than 40% of total enrollment in secondary schools. Also in accordance with this emphasis, since 1975 firms with more than 200 employees are obligated to train at least 15% of them.

In the case of Brazil the scenario changes completely. The priority was predominantly given to higher levels of education, and the service have been tuition free throughout the public school system. The presence of private schools is more concentrate at the primary and secondary levels. Vocational schools were neglected in the past and only recently more attention have been given to them.

3.3 IMPORT SUBSTITUTION X EXPORT PROMOTION

A very popular thesis to explain the different economic performance of Brazil and Korea is the one concerning the option between import substitution versus export promotion as the main strategy to achieve economic development. By it, Korea has wisely adopted the correct strategy of export promotion whereas Brazil has erroneously opted for import substitution. The problem of import substitution strategy is that it tends to create inefficient small units that requires tariff protection, it generates monopoly power and it affects export competitiveness when exports uses expensive import substitutes. On the other side, export promotion shows a lot of benefits such as the multiplier effect arising from increased consumption and investment of additional income, the foreign exchange contribution which relaxes the import bottleneck problem and the externalities associated to the process in relation to new technologies, production management, labor force, etc.

The problem of this argument is that it attributes too much expertise to the Korean policy makers and too much ignorance to the Brazilian ones. Indeed, anyone who observes the size of Korean market and the country's stock of natural resources, will easily conclude that the option toward export promotion was made simply because it was the only viable strategy. That was not the case of Brazil, where a huge stock of natural resources and a vast market converted the import substitution approach in an attractive development strategy. The problem in this case was the excessive emphasis given to import substitution and the little attention given to the export sector, what really caused the failure of that policy in Brazil.

The point is that import substitution continues to be an important option in any development strategy. It just should not be viewed as the sole instrument capable to guarantee the goal of rapid economic growth. Indeed, import substitution is a factor present in all successful case of economic development. In Korea, for example, the continued importance of it during the '60s and the '70s tends to be overlooked because of the heavy emphasis on export expansion and the exceptionally rapid growth of the manufacturing exports. But Korea always had a well present strategy of import substitution which, contrarily to that one of Brazil, did not fail by being excessive.

Two important aspects of Korean import substitution process should be mentioned. The first one was the special attention given to the market size constraint. By it, in most areas import substitution was delayed until demand was sufficient to support plants of efficient scale. Such constraint was constantly not considered in many Latin America countries and, in Brazil, it was not different. Just as an example we can cite the Brazilian steel program by which the country was building, in the '70s, practically at the same time, three integrated steel mills when the market probably demanded just one.

The second aspect is the backward linkage of import substitution with the export promotion process. In Korea and in Brazil as well various protection mechanisms were used to permit import substitution: quotas, tariffs, foreign exchange controls, import licenses, similarity law, etc. But since the process was in large part linked to the promotion of exports, these mechanisms of import control were used in a more efficient way; otherwise they could compromise the competitiveness of exports.

A final point about import substitution is the question of its financing. The examples of Brazil and Korea show that the process, when not fol-

lowed by an export promotion program, should not rely heavily on foreign resources. The reason is quite simple: the process is fundamentally a foreign exchange saver but not a foreign exchange generator. The saving of foreign exchange associate to the process is firstly made in national currency and can only be converted into foreign exchange, with which the external debts are supposed to be paid, if the export sector is generating them in sufficient amount. One of the reasons whereby the external debt crisis in Brazil was more severe than that one of Korea is exactly the country limited capacity to service the external debt associate to import substitution projects that are able to generate resources only in national currency.

By the late '50s, Brazil perceived that import substitution, rather than eliminating the country's external dependency, was only changing its pattern; so, it turned to the promotion and diversification of exports as an equally necessary strategy. The performances of the export sector of both countries in the last three decades have been impressive. In the case of Brazil, the exports grew from 893 million current dollars in 1960, to 25.6 billion in 1985; in Korea they grew from 128 million current dollars, in 1960, to 30.2 billion in 1985. Behind the numbers, however, there are substantial qualitative differences which, in our view, make the Korean process more efficient, in terms of economic development.

The first difference refers to export promotion mechanisms. In both countries the list of incentives given to the export sector is long and diversified: rebates on direct and indirect tax, exchange rate control, subsidized credits, subsidized inputs such as electricity, rebates on tariffs and duties on imported inputs, etc. But while Korea relied on the maintenance of a stable realistic real exchange rate as one of its main export promotion instrument, Brazil relied primordially on subsidized credits. The problem of subsidized credits is that they are easily manipulated, and so are very susceptible to distortions. they permit the creation and maintenance of inefficient export industries, they difficult the appropriate use of the country comparative advantages and usually are used as instrument of corruption and political bargain. One reason whereby many countries opt for subsidized credit is that it would avoid, at least in the short run, problems of inflation which usually are created by exchange rate devaluations. It should not be forgotten, however, that subsidized credit also causes inflation problems. In this case through budget deficits.

Another difference was the reliance of the Korean export promotion process on a labor-intensive manufacturing sector. This option showed to be important, not only to face the problem of labor absorption resulting from the increasing urbanization of the country, but also to permit a better distribution of the benefits of the process. Differently, Brazil opted for a more capital-intensive manufacturing sector, not taking advantage of one of the country most abundant production factor: cheap labor force. So, it is not surprise that the process has been income concentrating and has showed poor performance in terms of labor absorption.

Korea perceived that to start its manufacturing export sector through low value-added industries would not be neither a motive of shame nor the creation of a immutable manufacturing structure. The country performed as a nice example of the dynamics of the comparative advantage process. It started exporting low value-added products such as toys and textiles, but in a short period of time became an exporter of sophisticated products such as automobiles, computers and electronics.

Brazil, on the contrary, never gave attention to low value-added labor-intensive export industries. In the spirit of a "big country", the focus was given primordially to the export of products with high value-added component, even when this could signify inappropriate uses of resources and inefficient export industries.

3.4 THE RURAL SECTOR

All economic development process are characterized by a transference of resources and political power from the rural sector to the industrial urban sector. Actually, the process by itself can be defined by such transference. In great part, what will determine its success is exactly the way and degree this transference occurs and the form the remaining resources on the rural sector are distributed.

Again, the case of Brazil and Korea is a good example. Both countries show, in the last three decades, a substantial transference of resources from the rural sector to the urban sector. This can be attested by the decline of participation of agriculture on the GDP, which in Korea decreases from 39.7% in 1960 to 13.4% in 1985, and in Brazil decreases from 16.8% in 1960 to 9.8% in 1985. In the same direction, the urban population in Korea increases from 27.7% of total in 1960 to 65% of total in 1985, and in Brazil it increases from 46% of total in 1960 to 70.3% of total in 1985*.

* See TABLES 1 and 2.

But, in Korea, the rural sector never was neglected in terms of government investments as was the case of Brazil in most of the '60s and the '70s. The Korean government mainly since the late '60s has undertaken massive programs of investments in rural infrastructures, such as roads, irrigation, storage facilities, rural electrification, housing and public health. Actually, investments in agriculture more than doubled between 1967 and 1971, and between 1976 and 1980*. In Brazil, the government did not invest in agriculture as desirable. The main instrument of incentive, in this case, were subsidized credits which not always were effectively applied on the sector and were canalized predominantly to a few great landlords.

A second difference between the two rural sectors refers to the ownership of land. In Brazil the ownership of land is concentrated in the hands of a few. In Korea, a land reform applied back to the late '40s fixed a ceiling of 3 hectares on land-holding holdings. The land reform not only permitted increasing in productivity but also gave more social legitimacy to government investments directed to the sector. It also made the life in the countryside more attractive.

Therefore, the rural sector in Korea was more able to balance supply and demand for food, not permitting the appearance of significant inflationary agricultural shocks as it was the case of Brazil in the '70s. Moreover, you have in Korea a more disciplined process of transference of resources from the countryside to the cities, including labor, which resulted in bigger gains of productivity and in less problems resulting from explosive urbanization.

3.5 THE FINANCING OF DEVELOPMENT

A question as important as that concerning the choice of the more appropriate development strategy is that regarding the financing of such strategy. The point here is that rapid economic growth requires the maintenance of high rates of investments which require huge amount of capital. In this case, a country can rely on three alternative but not exclusive sources of capital: domestic private savings, domestic government savings, and foreign savings. This means that, in each sector, consumption needs to be less than production so that a net of positive savings can be generated.

In the case of foreign savings, such sacrifice in terms of "underconsumption" is transferred to abroad, making that source of resources very

* WORLD BANK⁽¹⁾.

attractive. It not only alleviates the domestic resource constraint, but also makes the development process less painful to society.

It is not surprising that Brazil and Korea systematically recurred to foreign savings for the financing of its development process. The only difference is that Korea, being more successful in promoting its exports, showed itself to be able enough to service the external debt; this fact was associated to the influx of that foreign capital. TABLE 3 shows the amount of foreign savings captioned by each country in selected years, as well as the export/external debt ratio. It also shows the participation of foreign capital on the gross domestic investments of each country.

But the possibilities of foreign financing are limited and so every country is supposed to rely basically in its domestic savings. The sacrifice mentioned above is inevitable. Any attempt to avoid it, either through budget deficits or excessive foreign borrowing, will just result in inflation and external debt crisis.

TABLE 3

FOREIGN SAVINGS AND EXPORT/EXTERNAL DEBT RATIO					
	67	70	75	80	85
Foreign savings (US\$ millions) :					
Brazil	237	837	7026	12792	650
Korea	192	623	1857	5323	887
Export/external debt ratio :					
Brazil	...	0.67	0.45	0.40	0.26
Korea	...	0.47	0.70	0.74	0.56
Foreign savings/domestic invest.:					
Brazil	...	0.08	0.21	0.23	0.002
Korea	...	0.31	0.30	0.29	0.03

1-Foreign savings = the balance of payment current account deficit

SOURCE: - WORLD BANK⁽¹⁰⁾

- ASIAN DEVELOPMENT BANK⁽¹⁾

- BAER, Wener⁽³⁾

In terms of domestic savings, the performance of Korea shows to be superior. The country appears to be more realistic in terms of the sacrifices associated to the goal of attaining rapid economic growth. Private consumption, measured as a percentage of the GDP, fell from 83% in 1960 to 59% in

1985. In the same direction, government consumption fell from 14% of GDP in 1960 to 10.4% of GDP in 1985. As a result, the gross national savings rate (savings/GDP) grew from 0.8% in 1960 to 27.6% in 1985 (see TABLE 4). Also in TABLE 4 we can see that the fall in private and government consumption, 27.6%, roughly matches the increase in gross domestic savings in the same period, 26.8%.

In the case of Brazil, the private and government consumption as well as the gross domestic savings were kept relatively constant during most of the period.

The patterns of investment rates in each country reflect the ability of each one in creating domestic savings. In this way, the Korean economy shows an increasing investment rate, which goes from 10.9% in 1960 to 29.7% in 1985, whereas in Brazil that rate stays relatively constant around 22%.

It is not easy to explain the performance of Korea in terms of domestic savings formation. Some points, however, are frequently mentioned. The first is that concerning the rigid control over the wages and salaries applied by an authoritarian political regime. Another point is the interest rate policy practiced by the government since the early '60s. Such policy has considered as priority the maintenance of nominal rates which would always guarantee positive real return on financial savings. Finally there is the strong commitment of Korean firms with the goal of economic growth. That means a strong commitment in generating profits which should be reinvested.

A final consideration refers to the role of government in the process of domestic savings formation. The experience of Brazil and Korea shows the crucial importance of a government sector able to generate positive savings. This can be seen more clearly during the late '70s and the early '80s. In that period, the Brazilian government lost the ability to generate savings. In consequence, the country's gross domestic investment rate was reduced significantly in recent years.

TABLE 4

CONSUMPTION, SAVINGS AND INVESTMENT IN						
BRAZIL AND KOREA (%GDP)						
	60	65	70	75	80	85
Private consumption :						
Brazil	67	69	68	69	70	67
Korea	83	82	72	70	65	59
Government consumption :						
Brazil	11.9	10.3	10.1	9.8	10.6	9.7
Korea	14.0	9.3	10.4	10.4	11.2	10.4
Gross domestic savings :						
Brazil	20.3	19.6	21.0	19.9	17.4	16.8
Korea	0.8	7.3	17.5	18.5	20.0	27.6
Gross domestic investment :						
Brazil	22.0	18.4	22.3	25.3	22.8	16.9
Korea	10.9	15.0	26.4	29.3	31.2	29.7

SOURCE: - WORLD BANK⁽¹⁰⁾

- ASIAN DEVELOPMENT BANK⁽¹¹⁾

- BAER Werner⁽³⁾

4 CONCLUSION

The evolution of development economics has been a process as dynamic as the subject it studies. Since its appearance in the late '40s, development economics has seen a succession of new theories and models to explain the contrasting differences between the economies around the world.

During the '50s and early '60s, development policies emphasized the growth of GDP through capital accumulation and industrialization. By the late '60s the focus turned to more specific questions concerning the objectives of development, once it was observed that economic growth was not being sufficient in solving serious problems such as poverty and inequality. Finally, the '70s and early '80s saw the resurgence of neoclassical ideas which proclaim the virtue of the market to allocate the country's resources and to command the development process.

At the present time, as in the past, there is a continuous flux of new ideas and propositions. Particularly, there are those who defend the idea, based mainly on concrete examples of countries around the world, that economic development is chiefly a question of appropriate economic policies rather than a question of structural characteristics. Generally speaking, the idea is that a country is poor not because it has been poor but because it has been subjected to poor economic policies. We tend to agree with this position, and for us the examples of Brazil and Korea support it.

Of course, we know that one thing is to determine the policies which have permitted a country to become a success story of development; quite another is to infer from that experience that the same policies should be applied in others countries. Nevertheless, the present study shows that some important lessons can be learned.

The first lesson is the importance of establishing the eradication of absolute poverty as the primordial goal of any development strategy. A country should try to achieve more ambitious social programs only if it succeeds in that goal. Another lesson, closely linked to the former, is that concerning the importance of spread of basic education among the entire population, through the proliferation of public primary and vocational schools.

Concerning the debate about import substitution and export promotion, the truth is between these two extremes. The question is not so simple as to consider import substitution wrong, and export promotion right. Actually, both processes are present in any successful development story. Particularly, in the case of export promotion it is very important not to disregard the dynamic characteristic of the comparative advantage process.

Finally, it is crucial for any poor country to be conscious that underdevelopment is not a destiny, but just a momentary condition which can be left behind. But the development process is painful. Many sacrifices are requested, mainly in terms of savings formation. Failures in reaching to this point can result in an self-destructive process, with problems of inflation and external debt.

Abstract: The modern approach to study economic development highlights the importance of empirical studies involving the experiences of different countries in their strategies to achieve economic growth. The idea is that economic development is more a question of appropriate economic policies than a question of structural characteristics of each economy. Some points of the economic development strategies adopted by Brazil and South Korea since the early '60s are compared, in an attempt to explain the superior eco-

conomic performance of the latter in the period. The study supports the importance of appropriate economic policies in the process of economic development.

Key Words: Economic Development; Economic Growth; Economic Policy; South Korean Economy; Brazilian Economy.

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