The Effect of Neoliberal Globalization and Crises on Labor’s Share in Developing Countries

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Abstract
The aim of this paper is to discuss the outcomes of neoliberal globalization from the perspective of labor in the developing countries, with a particular emphasis on the crises that followed the substantial liberalization in capital accounts in the 1990s. Although a lot has been said about the effects of capital account liberalization on the macroeconomic performance of the economies, less attention is paid to the different effects on labor vs. capital. This paper analyses the outcomes of neoliberal globalization for labor in ten developing countries (Argentina, Brazil, Chile, Mexico, Turkey, Indonesia, Korea, Malaysia, Philippines, and Thailand), and focuses on the episodes of crisis as part of the general class struggle where the question on who will carry the burden of adjustment is a part of the struggle. The paper describes the corner stones of the regime of growth in the neoliberal era, by analyzing the trends in growth, investment, unemployment, and labor’s share, and discusses the effects of the shocks generated by crises on these variables. There are two groups of variables that reflect the effects of neoliberal globalization on the bargaining power of labor: variables related to interaction with the global economy, such as international trade, FDI, and exchange rate depreciation; and government expenditures as a domestic policy variable. Finally we discuss the corner stones of an alternative policy framework.

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1. Introduction

Since 1980s, the world economy is being guided by neoliberal economic policies such as openness to trade, foreign direct investment and financial capital flows, and the dismantling of government regulations in financial markets, goods and labor markets. These policies reduce the role for macroeconomic policy interventions with the claim that free market capitalism would increase efficiency, growth and provide a fair distribution where all factors of production receive a return consistent with its marginal productivity. However, after two decades of domination of neoliberal policies, growth on average is lower, the unemployment problem has been persisting, and the distribution of income is changing at the expense of labor in many developing as well as developed countries (Crotty and Dymski, 2000; Pollin, 2002; Easterly, 2001; Went, 2000).

The aim of this chapter is to discuss the outcomes of neoliberal globalization from the perspective of labor in the developing countries, with a particular emphasis on the crises that followed the substantial liberalization in capital accounts in the 1990s. The concern of this study is the major developing economies of Latin America and Asia (Argentina, Brazil, Chile, Mexico, Indonesia, Korea, Malaysia, Philippines, Thailand, and Turkey), which have gone through a substantial process of liberalization at the national as well as international level, although the starting point differs, ranging from early 1980s in the case of Turkey and Latin America, to the late 1980s in the case of Asia. These countries have an important share in world trade, and are representing a variety of development paths in the emerging markets, and are usually referred by the IMF as the successful examples of integration to the world economy. In spite of the differences in their former development policies as well as liberalization process, they also shared the common adversity of financial crises in the 1990s (Turkey 1994, Mexico 1994-1995, Asia 1997-1998, Brazil 1998) and 2000s (Turkey and Argentina 2001), which followed the liberalization of capital accounts. Chile, although is not part of the countries that have had a financial crisis, the deterioration of the economic performance of the country since 1998, makes it part of this group, not the least because it still is being cited as a success story in Latin America.

The issue of income distribution vs. globalization has attracted a wide variety of research as well as the attention of institutions like the IMF, World Bank, ILO, and UN. ILO has established the World Commission on the Social Dimension of Globalization and published the report on “A fair globalization: Creating opportunities for all” (2004). World Bank, after having promoted trade liberalization for two decades, in its 2005 World Development Report discusses that the aggregate effects of trade reform on income distribution are not always clear, and there are winners and losers (World Bank, 2005); however the policy framework is defined as previously, focusing particularly on the areas of the labor market flexibility, infrastructure, and competition. The concerns regarding the links between globalization and income distribution have motivated three broad lines of research. The first focuses on individual income distribution, and consists of two contrasting positions: on the one hand are the researchers, who argue that the process of further economic liberalization at national as well as international level will reverse the trends (e.g. Dollar and Kraay, 2004). On the other hand are the researchers, who, quite on the contrary, see Washington Consensus-inspired policies as a reason for the increased inequality in the last two decades (eg. Cornia, 2004). The second line of research focuses on wage inequality and emphasizes the adverse effects of capital mobility as well as technological change on unskilled labor in both developed and developing countries, (eg. Feenstra and Hanson, 1997; Harrison and Hanson, 1999). The third line of research argues that not only individual or wage inequality are increasing, but also labor as a whole is losing ground to capital in both capital abundant developed and labor
abundant developing countries (Lee and Jayadev, 2005; Harrison, 2002; Diwan, 2001; Rodrik, 1998; Haque, 2004; UNCTAD, 1997).

To explain this adverse trend, the political economy approach emphasizes the asymmetry between the fall back options of capital vs. labor due to the increase in the mobility of capital, the consequent increase in the elasticity of labor demand, and the threat of capital to relocate or outsource as the major factors, which pressurizes the bargaining power of labor, and generates a distributional bias in the outcomes of globalization as well as the crises (Rodrik, 1998; Burke and Epstein, 2001; Crotty, et al. 1997). While labor has to compete harder to attract capital, the increased international competitive pressures are making capital less willing to accommodate wage demands, both leading to a race to the bottom.

The increase in the mobility of capital is on the other hand accompanied by the stagnation in aggregate demand. The stagnation in demand leads to higher unemployment and erodes the bargaining power of labor vis a vi capital. In the mean time, the increase in the mobility of capital has also increased the fragility built in the capitalist system via increased financialization and speculation. This, coupled with the tight fiscal and monetary policies, and a decrease in the purchasing power of the masses due to lower wages, set the conditions for the vicious cycle of deficient aggregate demand, low growth, low employment, and a crisis prone global economy. Figure 1 summarizes these effects of neoliberal globalization on labor.

In the following, there will be three main issues of analysis: 1. the trends in growth and labor’s share in income, and the effects of the crises episodes, 2. the consequences of economic policy at the domestic (monetary and fiscal policy) and international (foreign trade, foreign direct investment) level for distribution, 3. the trends in unemployment.

2. Neoliberal globalization, crisis, and labor

The data on distribution and labor market outcomes is the hardest of all to access for not only developing countries but also advanced OECD countries. In spite of the reporting problems and high costs associated with data collection on income, the lack of data on factoral income distribution is worth noting, particularly compared to the improved data quality regarding most other variables regarding the financial sector and international flows. Due to data limitations this study is based on manufacturing data rather than nationwide income distribution. In line with the choice of the manufacturing wage share as the indicator of distribution, for consistency we will focus on growth of value added in manufacturing value added, and the share of exports and imports in manufacturing value added. This also has the advantage of focusing on the manufacturing sector, which is the locomotive of growth in developing countries, and which was also accepted as the engine of export boom in the context of structural adjustment programs.

2.1 Growth and Distribution

First let us have a comparative overview of the growth performance of the economies in the 1970s and post-1980s. The annual average growth rate of GDP is lower and its volatility is higher in the post-1980s compared to 1970s in all countries but Chile. The financial crisis of the 1990s and 2000s are particularly influential in this respect. The change is particularly dramatic with a decline in period averages, which is even greater than 2 percentage points in Argentina, Brazil, Mexico, Indonesia, Korea, Philippines, and Thailand who have been the fast growers of 1970s. In Brazil, Mexico, Indonesia, Korea, Philippines, Thailand and Turkey the deterioration in growth is continual with 1990s being worse than 1980s, whereas in Argentina and Mexico there is an improvement in 1990s compared to 1980s, however the
period averages are still lower than those in 1970s. The first block of Table 1 reports period averages for manufacturing growth. The pattern is the same as GDP.

The second block of Table 1 shows the wage share in manufacturing value added for sub-periods. Figure 2 also shows the developments from 1970s to 2003 for each country. The wage share is lower in the post-1980s compared to 1970s in all countries with usually significant margins other than in Korea, Philippines, and Thailand. In six out of ten countries (Brazil, Indonesia, Malaysia, Mexico, Thailand, and Turkey) the volatility of the wage share has increased over time. The decline is particularly dramatic in Argentina, Chile, Mexico, Indonesia, and Turkey with the decrease between the two periods ranging between 14.4% to 38.3%. In Argentina, Brazil, Indonesia, Malaysia, Mexico, and Turkey also the wage share in the 1990s is lower than that in the 1980s.

The differences in economic policy are reflected to the distributional outcomes of the countries. Latin American countries and Turkey, which based their international competitiveness on low wages during the era of liberalization, experienced a significant decline in the manufacturing wage share, whereas some Asian economies, notably Korea, which had not adopted the standard orthodox structural adjustment programs in the early 1980s, and had relied on the industrial policy-investment-growth nexus, experienced an increase in the wage share.

Nevertheless, the crises following capital account liberalization have had very similar effects on the wage share in all countries leading to a clear and long lasting decline. In most cases, the wage share does not increase when the economy is growing, but in all cases it responds strongly to a crisis. The percentage decrease in the wage share by far exceeds the rate of decline in production during the crises in all countries. After a crisis, employers push labor unions to accept dramatic wage cuts or compulsory unpaid leaves to avoid job losses. Eventually profits are restored and when the crisis is long past, it is labor, which has carried the burden of adjustment. The crisis also creates a hysteresis effect that destroys the bargaining power of labor for a long period afterwards. Diwan (2001) defines crises as episodes of distributional fights, which leave "distributional scars". In all countries, a strong economic recovery took place right after the crisis, with production returning to its pre-crisis level within a year, however the fall in the wage share was much more persistent. During the crises in 1994 & 2001 in Turkey, 1995 in Mexico, 1997-98 in East Asia, 1998 in Brazil, and in 2001 in Argentina, the fall in the wage share continues for mostly 2 or 3 years, and sometimes even more. In Mexico ever since 1994, in all East Asian countries since 1997, in Brazil since 1998, in Argentina since 2001, in Turkey since 2001 the wage share is lower than the pre-crisis level as of 2003. In Mexico, which experienced the early crisis of 1994-1995, the wage share has declined 29.5% as of 1996 compared to 1993, and indeed has still not returned to its pre-crisis level ten years after the crisis. The post 2001 recession in the manufacturing industry of Mexico has triggered a new declining trend in the wage share. In Turkey the cumulative decline in the wage share has been 24.8% and 30.2% following the 1994 and 2001 crises with the decline continuing for two and three years respectively. The slow recovery in the wage share in Turkey after the 1994 crisis is again reversed in 2001, and the wage share as of 2003 is even lower than its level in 1994. In Korea, the wage share has continued to decline for three years following the 1997 crisis, and was 21.6% lower in 1999 compared to 1996. In Korea as well the wage share has not returned back to its pre-crisis level in seven years after the crisis. In that respect, crisis has brought Korea closer to the cases of Latin America reversing the increasing trend. Crotty and Lee (2002) and Crotty and Dymski (2001) emphasize the importance of the Asian crisis in facilitating a radical pro-capital restructuring, which could not be achieved via a democratic process under normal economic circumstances.
Another factor that has led to the deterioration in labor’s share in the 1980s, and particularly during the crises is the exchange rate movements (See Table 1). Also apart from the crisis episodes, the opening up of these economies was accompanied by huge devaluations of the domestic currency with the aim of achieving higher international competitiveness (with the exception of Chile and Korea). Later the crisis episodes mentioned above have been always accompanied by dramatic rates of decline in the value of the local currency (depreciation) due to the outflow of speculative capital. Be it due to the official devaluations of the early stages of liberalization or the market made depreciations after the financial crises following the nominal anchor based anti-inflationist stabilization programs, there is a clear trade-off between the rate of depreciation and the wage share. Given that developing countries are import dependent, a depreciation, which creates an increase in the price of the imported goods generates an important increase in overall input costs. Depending on the balance of power relations, the firms try to compensate the increase in input costs by a decline in labor costs. Similarly, the reverse has also been true during episodes of capital inflow, and appreciation of the currency, when employers become more accommodative towards wage demands. However, these episodes have been sooner or later disturbed by the increased current account deficits and fragility in the economy, which is followed by the currency crises. The negative effect of depreciation also depends on the extent of the dollarization of the economy, which determines the destructive dimensions of a currency crisis.

Finally, the broad numbers about real wages deflated based on a general consumer price index hide an important information about how different income groups are affected as inflation accelerates after the crisis. Given that food consumption forms a significant proportion of the consumption budget of working class households, higher food price inflation will affect them more adversely than others and decrease real wages even more than what we observe based on average consumer price inflation rates. Food price inflation has exceeded average consumer price inflation rates in Turkey in 1994 and 1995 by 3.7 and 9 points respectively, in Mexico in 1995 and 1996 by 4.2 and 7.2 points respectively, in Indonesia from 1997 to 1999 by values ranging between 2.1 and 34.7 percentage points, in Korea in 1998 and 1999 by 1.2 and 2.0 points respectively, in Malaysia from 1997 to 1999 by values ranging between 1.5 and 3.6 points, in Argentina in 2002 by 8.8 percentage points. In Mexico ever since 1994, in Korea, Indonesia and Malaysia since 1997 this distortion has not been corrected.

2.2 Economic policy and their effects on distribution

One of the challenging aspects of these developments for the architects and promoters of a global liberal model is that all these countries have extensively opened up their economies, and have experienced a literal boom in manufacturing exports as a ratio to manufacturing value added, as can be seen in the third part of Table 1. Nevertheless, with the exception of Indonesia, the increase in exports has also been followed by an increase in import/value added ratio as a result of a reduction in tariffs in the post-1980s (see Table 1). Overall the degree of opening of these economies and in particular the export boom in manufacturing has been impressive, however the mainstream expectations of the orthodox structural adjustment programs regarding the positive effects of openness on labor’s share have not been realized. Econometrical analysis also shows that openness had basically either no, or negative effect on labor’s share (Onaran, 2007). Exports fail to deliver the expected positive effects even in East Asian countries with a strong industrial policy as well.

FDI also increased remarkably in the 1990s, as can be seen in the sixth block of Table 1. The only country that experienced a decline in FDI was Indonesia, but this development was dominated by the Asian crisis. It is again worth noting that a decade of FDI inflow has not been able to generate an improvement in the wage share within these countries over time.
Finally, in the last three blocks of Table 1, we report the developments regarding the domestic monetary and fiscal policy, i.e. real interest rates, and wage and interest expenditures of the government. The real interest rate of lending (the rate charged by banks on loans to prime customers, deflated by the GDP deflator), which was either negative or very low in the 1970s, has increased dramatically in all countries other than in Chile since the financial liberalization of the 1980s. The currency crises in particular have resulted in hikes in the real interest rates, which usually do not return to the previous levels for a long time – in some cases up to six to seven years later. The hikes in interest rates also have spill over effects on other countries. Even when the crisis does not directly affect the country, as in the case of Chile, Mexico and Turkey during the Asian crisis, interest rates still increase for a while. Connected with that, the composition of the budget expenditures of the government reflect clearly how the state is involved in the process of income distribution during the era of neoliberal globalization. Figure 3 shows the share of wages and interest payments in government expenses. The share of wages in government expenditures has a general declining trend in Chile and Korea since 1980s, in Brazil, Mexico and Turkey during early 1980s and once again in 1990s with a period of relative increase in between, and in Argentina, Indonesia, Malaysia, and Thailand since late 1980s or early 1990s. The crisis episodes in Mexico, Turkey, Indonesia, and Thailand mark additional sharp decreases. As the share of wages in government expenses contract, the share of interest payments increases in most cases. While the demands of international and domestic borrowers are met, wages and social expenditures and investment have to take their shares of budget cuts. Right after the crisis, the conditions of the IMF are usually accepted, and the initial bail out credit to save international firms arrives. Public debt increases as guarantees to the financial systems and large firms are satisfied and running primary surpluses becomes the major duty of nation states. Privatization, mostly in the form of a cheap sell out to foreign capital supplies the additional resources for the country to pay back its ever growing debt. The ideological discourse about the so-called inefficiency of the state is supporting this process and further arresting the social expenditures and state investments. Since governments choose or are obliged to choose not to raise taxes or default on their creditors sufficiently, public deficits end up being paid by labor. Public wages are adjusted. Declines in private sector wages follow as the fear of job loss grows due to possible downsizing or bankruptcies. Eventually, the growth potential of the economies is deteriorated due to increased fragility, higher interest rates, volatility, and lower investment, with further adverse effects on labor.

In a study for OECD countries, Epstein and Power (2003) report that in Turkey, Mexico and Korea, the share of the rentier in national income has increased following the periods of financial liberalization; but this increase has not come at the expense of profit shares accruing to non-financial corporations. This result obviously is related to the decline in labor shares, which compensate for the increase in financial costs for industrial firms. Evidence also suggests that industrial firms find the chance to increase their returns from financial activities.

On the other side of the medallion, overall fiscal contraction creates further negative effect on wages, apart from its direct effects through reduced demand. Government expenditures in health and education have the effect of decreasing the costs of the consumption bundle of the workers to the extent these services are provided free or at a low price. The budget cuts during the neoliberal era have targeted mostly these items of expenditure, eroding the bargaining power of labor further by increasing its dependency purely on wage income to maintain a certain living standard. Although there seems to be no big change in government expenditures before and after 1980s when one considers the period averages in the last block of Table 1, its volatility is increasing in the 1980s. It is particularly interesting to note that government
expenditures do not play a counter-cyclical role during the crisis years, and in some cases continue to contract for two years or more after a crisis.

2.3 Unemployment

Figure 4 shows the trends in unemployment for each country. There is an increasing trend in unemployment in Argentina, Brazil, Indonesia, and Philippines, which had further adverse shocks after the crisis of 1997 with lasting effects. In Turkey, the unemployment rate has been stable at a high rate without any improvement in the era of liberalization, and had a serious hike up since the recent crisis of 2001. In Mexico, unemployment rate which increased seriously after the 1994 crisis, returned back to pre-crisis level only after five years, and there is an increasing trend in the 2000s. In Korea and Malaysia unemployment rates had declined to quite low rates during the post-1980s (in Korea since 1980 and Malaysia since 1987) due to the powerful employment creation capacity of the economy, which lasted until the crisis of 1997, decreased dramatically after the crisis, and did not return to pre-crisis levels afterwards. The most dramatic shock after the crisis among the East Asian countries has been in Korea, where unemployment rate has increased from 2.6% in 1997 to 7.0% in 1998. The same trend has also been valid for Chile, who has been experiencing an increase since 1994 and particularly since 1998 after a continuous falling trend during the 1980s and 1990s. In most countries after the crisis, unemployment goes on increasing for two years. In Turkey for three years, and in Philippines, Malaysia and Indonesia for six years after the crisis, the increase is still going on. Since the crisis of 1997 and 2000s, in no country the unemployment rates have returned to the pre-shock levels as of now.

The fact that the rate of unemployment has been increasing in countries, where wage share has been decreasing, is pointing at the weakness of the demand side of the labor market to generate new jobs simply based on wage cutting. The export-led industrialization strategy has so far failed to deliver its promises in terms of creating jobs. Although the share of manufacturing exports from developing countries has risen dramatically, the rate of increase in industrial employment has decreased in some leading exporter countries like Brazil, Mexico, Turkey, Korea, Malaysia, Philippines, and employment decreased in absolute terms in the case of Argentina. When all developing countries try to implement the same export-led strategy, not every country can be the winner due to limited world markets. As competition becomes fiercer, either the capital intensity of production increases via new investments in the case of many East Asian countries, or labor shedding becomes a general tendency in some other countries like in Latin America. Under deepening competition lower real wages do not suffice to generate more jobs in export industries. Furthermore as high unemployment rates suppress real wages, the decline in the share of wage income contributes to the aggregate demand deficiency, making it worse for job creation capacity of the economy. An analysis for the apparel industry, which is the ultimate export industry for developing countries, shows that there is no statistically significant relationship at all between real wage and employment growth in 45 OECD and non-OECD countries (Pollin et al, 2004). In aggregate, Onaran (2007) also shows that the change in the wage share has no significant effect on unemployment rate in ten major developing countries. So as opposed to what neoclassical theory claims, the lower wage share has a statistically much less reliable effect on unemployment, and unemployment is primarily driven by the goods market conditions.

3. Conclusion

Neoliberal globalization proved to be unable to create jobs and a fair return to labor in developing countries. The expectations of orthodox structural adjustment programs regarding the positive effects of openness and liberalization on labor’s share have not been realized, and quite on the contrary the increased frequency of crises in the 1990s and 2000s resulted in
negative pressures over labor. The fiscal contraction and financialization have also intensified the distributional conflicts in the majority of the countries.

Given these unpopular outcomes, the durability of the neoliberal paradigm is obviously in doubt. The slogan of “TINA” (There is no alternative) is worn out. The peoples of the North and the South, or the West and the East are to an increasing extent realizing that their common interest lies in international solidarity, and not in a race to the bottom imposed by markets and multinationals. The following decades will witness an increased search for an alternative framework of economic policy for people and not for profits. This alternative framework will concern policies ranging from financial market regulations at domestic and international level, to labor market regulations, industrial policy, international trade regime serving the needs of development priorities, and a fundamental restructuring or cancellation of the debt of the developing countries.

References


Appendix: Data problems

Labor share data exists in the World Bank World Development Indicators (WDI) database for the share of wages in manufacturing value added until 1993, but then the release of this data is terminated in the following versions of the same database. It is possible to calculate the labor’s share in manufacturing based on wage and productivity data in the Economist Intelligence Unit (EIU) database, but the wage data starts from 1980s onwards for some countries, and from 1990s for most others. United Nations (UN) National Accounts Database provides distribution data, however unfortunately the data about the compensation to employees, nation wide as well as in manufacturing, is provided only for a subset of the countries, which are analyzed in this study. Furthermore this database also provides information only from 1990s onwards for most countries. Another problem is related to the quality of the nationwide data. We conclude that the labor’s share data for manufacturing industry is more reliable and offers longer time series for a larger range of countries. Another advantage of working with manufacturing data is to abstract from the structural change and industrialization in the economy, which can lead to a reduction in the share of self-employment income, thus an increase in labor’s share if everything else were constant. The manufacturing labor share data for Turkey, Mexico and Korea are from OECD STAN Database and national sources. For Brazil, Chile, Philippines, and Thailand, the UN manufacturing data is combined with the WDI database, and for Argentina, Indonesia, and Malaysia WDI data is combined with the EIU database based on percentage changes. Unemployment data is from EIU. The source for the other variables is World Bank, EIU and IMF International Financial Statistics (IFS).

Data on unemployment rates exist only since 1980s onwards for almost all countries.
<table>
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<tr>
<th></th>
<th>ARGENTINA</th>
<th>BRAZIL</th>
<th>CHILE</th>
<th>MEXICO</th>
<th>TURKEY</th>
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<th>KOREA</th>
<th>MALAYSIA</th>
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<tbody>
<tr>
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<tr>
<td>1970-79 Mean</td>
<td>1.91</td>
<td>9.55</td>
<td>1.37</td>
<td>6.44</td>
<td>6.11</td>
<td>12.82</td>
<td>17.92</td>
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<td>0.80</td>
<td>0.17</td>
<td>0.77</td>
<td>-</td>
<td>2.96</td>
<td>0.30</td>
<td>0.61</td>
</tr>
<tr>
<td>1980-2003 Mean</td>
<td>1.60</td>
<td>1.58</td>
<td>3.77</td>
<td>1.87</td>
<td>0.44</td>
<td>0.33</td>
<td>0.51</td>
<td>4.21</td>
<td>1.22</td>
<td>1.82</td>
</tr>
<tr>
<td><strong>Real (ex-post) interest rate of lending (the rate charged by banks on loans to prime customers, deflated by the GDP deflator)</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>1970-79 Mean</td>
<td>-13.55</td>
<td>-7.39</td>
<td>19.06</td>
<td>-5.30</td>
<td>-15.52</td>
<td>-3.64</td>
<td>-0.44</td>
<td>0.48</td>
<td>2.14</td>
<td>4.00</td>
</tr>
<tr>
<td>1980-2003 Mean</td>
<td>21.35</td>
<td>76.46</td>
<td>12.88</td>
<td>1.45</td>
<td>13.35</td>
<td>7.74</td>
<td>3.81</td>
<td>5.50</td>
<td>5.56</td>
<td>8.07</td>
</tr>
<tr>
<td><strong>Interest payments/budget expenditures %</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1970-79 Mean</td>
<td>-</td>
<td>-</td>
<td>4.87</td>
<td>9.40</td>
<td>2.79</td>
<td>3.13</td>
<td>1.54</td>
<td>10.47</td>
<td>4.48</td>
<td>7.66</td>
</tr>
<tr>
<td><strong>Government final consumption expenditure/GDP %</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Notes: Volatility is the coefficient of variation, i.e. standard deviation/mean.
When lending rate was not available, the real interest rate data is the highest of the interbank or saving deposit rate.
Figure 1: Neoliberal Globalization and Labor

- Mobility of capital
- Global competition
- Deregulation in the labor market

Labor's share decrease

Aggregate demand deficiency

- Low / rationalization investment
  - Low growth, low employment

Increased risk + fragility
  - Speculation-led growth
  - Crises

Tight monetary policy + financial deregulation
  + Independent central banks
  = High interest rate

Tight fiscal policy

Crises
Figure 2: Wages / value added in manufacturing industry (WS)

Note: See text for detailed notes on data. The country codes are indicated next to the abbreviation WS.
Figure 3: The share of wages (WEX*) and interest payments (INREXP*) in government expenses (%)

Note: See text for detailed notes on data. The country codes are indicated next to the abbreviation WEX for the share of wages and INREXP for the share of interest payments in government expenses.
Note: See text for detailed notes on data. The country codes are indicated next to the abbreviation U.