

**“THE LIMITS OF NEO-DEVELOPMENTALISM IN LATIN AMERICA: TOWARDS
AN ANTI-NEOLIBERAL AND ANTI-CAPITALIST ALTERNATIVE”**

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Neoliberal economic policies instrumented in Latin America since the mid 1970s, although having common general contents, have shown national specificities determined by the particularities, on the one hand, of their initial insertion to the world market and of their relations with imperialist centres and, on the other, of the internal balance of social and political powers and struggles between classes and class fractions. The different neoliberal paths followed in the region resulted in heterogeneous economic trajectories. This heterogeneity was reinforced in the 2000s with the instrumentation of a wide range of alternative policies by “leftist” governments, surely with various degrees of progressiveness, which took office in this period. The relatively mild advancement of the ongoing world crisis in Latin America as a whole, nevertheless its heterogeneous impacts among different countries, has been attributed, at least partially, to these policies: some openly Social-democrat, as in Chile (2000-2010), Honduras (2006-2009), Guatemala and Paraguay (2008-2012), El Salvador (since 2009), and Peru (since 2011); others allegedly anti-neoliberal, as in Brazil and Argentina (since 2003), Uruguay (since 2005) and Nicaragua (since 2006); and a few purposely anti-

imperialist and pro-socialist as in Venezuela (since 1999), Bolivia (since 2006) and Ecuador (since 2007). This situation raised two interlinked discussions: one about neo-developmentalism as an alternative to neoliberalism; the other about the conditions for the construction of a new type of (post-soviet) socialism.

This paper contributes to the evaluation of this debate from a Marxist approach based in five premises:

i) Capitalism is, since its historical genesis, a world system of exploitation, valorisation and accumulation. Although the existence of Nation-States as relatively autonomous spaces of capital operation is a persistent result of competition, such national spaces are subsumed to the global logic of the world market.

ii) The world market articulates Nation-States in a hierarchical asymmetrical structure (centres, peripheries; regional sub-centres and sub-peripheries) and, therefore, its logic of operation is ruled by intrinsically contradictory imperialist and inter-imperialist relations of dominance-dependence and confrontation.

iii) Capital accumulation, beyond its technical-material basis, is a social process based in the general contradiction between capital and waged labour;

iv) Capital as such presents two general inner contradictions: the relation between potential and realized capital expresses through the tendential fall of the rate of profit; the relation between capital as property and active capital expresses through the opposition between productive and financial-speculative mechanisms of valorisation;

v) Economic policies, beyond their technical-instrumental dimension, are the result of the correlations of economic and political forces among classes and class fractions at the local, national and world levels.

The first section presents a general analysis of Latin America's reinsertion in the world market during the neoliberal period. It emphasizes the diverse types of re-articulation with the world market through commercial, foreign direct investment and external debt flows. The second section analyses the fallacies of the neoliberal critique to developmental policies, and of the limits of the neo-developmental discourse. The third section puts forward some central issues of the discussion towards the construction of an anti-neoliberal and anti-capitalist agenda.

1 LATIN AMERICA WITHIN THE WORLD ECONOMY: HISTORICAL PERSPECTIVE

1.1 Import-substitution industrialization: developmentalism and class struggles

In Latin America the post-war capitalist world boom involved processes of industrialization, urbanization, increase of per-capita income, expansion of middle classes, and partial development of welfare systems. National development was widely considered as a requirement to confront imperialism and to diminish inequalities (Latin American theory of dependence: ECLAC). In fact, the process was deeply contradictory: it heavily depended on foreign direct investment (transnational corporations taking advantage of commercial and fiscal protectionism) and sustained unequal income distribution patterns among sectors, regions and, especially between the urban and rural areas. Social unrest, leftist parties and revolutionary movements were systematically repressed; driven by

USA contra-insurgency strategies (especially after the triumph of the Cuban Revolution) and by local forces as a risk for national development.

1.1.1 Latin America's insertion in the world market

Commercial relations of Latin America with the World market during the 50's and 60's developed in a context characterized by a regime of accumulation based, in most of the region's countries, on import substitution industrialization processes. Due to the slow growth of exports and imports in this period the region relatively disengaged, commercially, from the World market continuously diminishing its share in international trade from average levels of 9-10% in 1948-1949 to barely above 4% in 1972-1973. Although developed countries were the main destiny and origin of exports (more than 75%) and imports (more than 80%), in the 60's their share started a downward tendency: very soft in the case of exports; more acute in the case of imports. The US and Canada lost relative weight as commercial partners, especially as destiny of exports (more than 50% to less than 35% of total value); while developed Europe increased its weight turning into the main destiny of exports at the beginning of the 70's (more than 35%). Also, in the 60's intraregional trade strengthened, increasing its share to around 15%.

1.2 *The imposition of neoliberalism in Latin America*

The structural world crisis at the beginning of the 1970s struck Latin America hard. As elsewhere, diminishing profit rates drove Keynesian anti-cyclical policies that boosted fiscal and external deficits, financed with increasing external debt, and inflation. In this context, at the end of the 1960s the import substitution model

started to show its limits, particularly because of its dependence on fixed capital goods imports.

The build-up of social and political unrest impelled socialist revolutionary projects in all Latin America. They were bloodily repressed. Since 1973 in Chile (and then Argentina, Uruguay, etc.) Latin America was established as a laboratory for the imposition of neoliberal policies (then called monetarist policies) as part of an economic, but especially political and social strategy against workers and peasants. The debt crisis of the 1980s, that generated a deep decay of economic systems (even with the destruction of local currencies due to hyperinflation in the so called lost decade), was the material basis for the general instrumentation of deregulating neoliberal programs aimed to change legal and institutional structures through privatisations and anti-labour and external liberalization policies.

1.2.1 New forms of articulation of Latin America with the world market

Neoliberalism had extensive general outcomes. The reconfiguration of local dominant economic and political groups, particularly in their relation with transnational capital, involved the unfolding of new forms of articulation of Latin America with the world market, in the wake of the neoliberal recomposition of the international division of labour, through the liberalization of commercial, productive and financial-speculative capital international flows. The precarianization of the labour-force was based on the weakening of industrial proletariat (and trade-unions) due to deindustrialization processes, the increase of services, migration, and labour reforms.

Nevertheless, the specificities of economic policies made a difference resulting in somewhat different neoliberal paths in the region. Trade liberalization in Brazil was administered, resulting in the successful protection of an endogenous industrial pole of accumulation and the diversification of international economic relations (developed, intraregional, and emergent capitalisms) and in its consolidation as a dominant regional power. In Mexico, the radical and indiscriminate trade liberalization resulted in a deep and extended de-industrialization and the externalization of accumulation dynamics through a process of subordinate integration to the US. In Argentina, neoliberal policies ended up in a widespread process of integration to Brazil.

1.3 The fatal attraction of neo-developmentalism

Social, economic and political devastation resulting of almost three decades of neoliberal policies, that added to historical inequalities, as well as increased dependence to local and foreign transnational industrial and financial corporations are the objective general causes of the boom of neo-developmental policies in the region. Its subjective general causes are the long-run weakness of the left due to its defeat by military coups and widespread repression, the fall of the Soviet bloc and the consequent abandonment of the notions of class struggle and socialism in much of the remaining left. Anti-capitalism turned into anti-neoliberalism and in the vindication of a nationalist state that, ensuring the good operation of markets, could lead to a new era of development. The post-Washington consensus, which since 1997 recognizes the necessity of neutral state intervention to mitigate inequalities

without questioning property rights, has been the “institutional” support of renewed state intervention but, also, of the second generation neoliberal policies.

The gradual return to civilian regimes was tied to negotiations with local and imperialist hegemonic forces that imposed legal and policy conditions. The electoral triumph of “leftist” governments supported by non-partisan resistance movements has had two paths: in some countries it has been the outcome of the condensation of class struggles (Venezuela, Bolivia, Ecuador and Argentina); in some others of institutional advance of the left (Chile, Brazil, Uruguay, Nicaragua, Honduras, Guatemala, Paraguay, Salvador and Peru).

Reformist programs, some only social-democratic oriented, some more or less critical of neoliberalism, and some others with anti-imperialist and post-capitalist features, have shown some positive partial achievements in the 2000s: formal democratization, income re-distribution, reduction of extreme poverty, in some cases higher growth rates, renegotiation with transnational corporations and the promotion of new types of regional integration schemes. But they have also manifested some of their limits inasmuch as their partial achievements have had as one of their material basis the high price levels of primary products, in a context of neo-extractivist tendencies, and the inflow of financial and speculative investment. The possibility of long-run development within the system of capitalist and imperialist relations does not take into account the world nature of the capitalist system and the role of transnational corporations, and imperialist relations (Gambina: 2010; Cámara and Mariña: 2013).

2 THE NEOLIBERAL AND DEVELOPMENTALIST DISCOURSES: A CRITIQUE

2.1 The neoliberal critique to developmentalism

Neoliberalism had its early manifestations as a State strategy in process of conformation in the 1970s in Latin America through the dictatorships imposed by bloody coups in Chile, Argentina and Uruguay. Since this beginnings neoliberalism attacked State-led development strategies in Latin America, particularly import substitution industrialization processes, arguing that the recurrent balance of payments crises in the 70s and 80s demonstrated the absolute limits of protectionist state intervention: by hindering competition, it generated industrial inefficiencies that provoked the weakening of private productive investment, stagnation, fiscal and external deficits, increasing indebtedness and inflation.¹

The neoliberal discourse against national developmental processes in Latin America is fallacious in several dimensions:

i) It overestimates the overall protectionist nature of import substitution models. Actually the industrialization policies in Latin America during the 50s and 60s, although restricting some imports, especially of final goods, were quite liberal, with various degrees, to the import of fixed capital goods (machinery and equipment) and to foreign direct investment that was promoted as a mechanism to finance development given the shortage of credit from the USA to the region (Thorpe, 1998: 221) and as vehicle of technological innovation.

ii) It overestimates the role of governments as responsible of the anti-competitive features of the industrialization policies. Protectionism was not a unilateral technical decision of state policy, but rather the result of the confluence

¹ This hypothesis is thoroughly criticized by Moreno y Ros (2009: 140-141).

of interests of local capitalist groups in partnership with transnational corporations, mainly from the USA, that benefited with the oligopolistic profits generated.

iii) It misinterprets the causes of balance of payments crises and of stagflation tendencies in the 70s. It evades the fact that the limits of import substitution processes manifested in the context of the worldwide structural crisis that unfolded since the end of the 60s and during the 70s. Falling profitability was the central cause of the weakening of private productive investment and stagnation, as well of pressures on the structure of relative prices due to increased competition that, in the context of expansive Keynesian-oriented anti-cyclical policies, manifested through inflation. The increase of fiscal and external deficits, rather than a cause, was the consequence of the attempts to offset the weakening of private productive investment and increasing instability of economic activity.

iv) It conceals its real content and purpose, which is not to achieve through the free operation of markets an efficient technical and social productive resource allocation, sustainable growth and increased employment and welfare. Rather, it is a classist strategy to boost capital profitability and accumulation through processes of regressive income distribution, expropriation of state, social and communal property and, significantly, sectoral and geographical reallocation of transnational corporations and extension of spaces of wage-labour exploitation.

2.2 The limits of the neo-developmental agenda

The neo-developmental discourse (Khan y Christiansen, 2011) emerges in the 2000s as a critique to the original neoliberal program, synthesized in the Washington Consensus (Williamson, 1990), and allegedly to its revised version,

the so-called Post-Washington Consensus, that claims the necessity of State intervention as complementary to the operation of markets, provided it is based on “good governance” and a clear definition of propriety rights.²

Neo-developmentalism claims the possibility of overcoming the contradictions of neoliberalism through a renovated State-led development program as a means for low and medium income countries to “catch-up” with developed ones. It retrieves and updates the central objectives and arguments of classic developmentalism³ vindicating an active State that, through industrial policy, creates comparative advantages promoting dynamic efficiencies: increasing returns, technological development, labour training and productivity, strengthening of domestic demand; development of knowledge and organizational capacities within a framework of energetic efficiency and environmental sustainability.

Neo-developmentalism claims to be a coherent and operative alternative in contrast with the insufficient institutional design of classic developmentalism. Therefore, its emphasis in developing institutional efficient governance capacities based on transparency, meritocracy and evaluation practices through incentives and sanctions. Another of its central features, that differentiates it from the endogenous orientation of classic developmentalism, is its claim of the replicability of successful industrialization experiences upon an efficient articulation with globalization in which import substitution and export promotion are complementary. Moreover, it explicitly vindicates itself as a reformist agenda opposing radical social

² The Post-Washington Consensus derived from the World Bank 1997 annual report (World Bank, 1997).

³ National developmentalism has long-run roots: F. List in the 19th century; Rosenshtein-Rodan, Nurkse, Lewis, Hirschman in the mid 20th century; in Latin America, within the *Economic Commission for Latin America and the Caribbean (ECLAC)* among others, R. Prebisch.

transformation approaches based on the notions of exploitation and class struggle (such as Fine, Lapavitsas y Pincus, 2003; Lapavitsas y Noguchi, 2005): it proposes agrarian reforms, just wages (linked to productivity) and empowerment of industrial labour without questioning the foundations of the operation of capitalism. Finally, it evaluates markets as a means that can (and should) be harnessed to propel an alternative development program preventing its operation as a “master” which has to be obeyed.

The main theoretical and practical limitations of the neo-developmental discourse are:⁴

i) It is based on a “technical” notion of a politically neutral State, very similar to that of the Post-Washington Consensus, which completely ignores the economic and political contradictions among classes and class fractions. By reducing the essential issues of the initiation, impulse and sustainment of development to a matter of “good governance” that depends on the subjective ethics of economic bureaucracies (honesty and desire of social justice), instrumental training (efficiency) and coercive evaluation (incentives and sanctions), recovering one of the main authoritarian aspects of the Neoliberal State reforms, it is incapable of even starting to address them.

ii) It has a pragmatic idealist vision about the possibility of taming the markets, sometimes leading and sometimes following them, that absolutely ignores the complex and contradictory nature of competition and the hegemonic role played in it by transnational corporations.

⁴ Critical analysis of Neo-developmentalism: Selwyn (2009) and Pradella (2012).

iii) It underestimates the asymmetries of economic and political international relations within the capitalist world market and, therefore, of the contradictory hierarchical structures of relations among centres, sub-peripheries and peripheries that restrict the possibilities of success of national development programs.

3 TOWARDS AN ANTICAPITALIST AGENDA

The theoretical, political and practical debate within the Latin American left has been, either to administer class and international contradictions within a capitalist trajectory, or push anti-capitalist projects. Some relevant issues that could help to articulate, from a historical perspective, the poles of the ancient dialectics between reform and revolution are the following.⁵

State-led development programs, however socially and economically progressive in the short-run, end up subordinating to markets and, therefore, to the general logic of capital and to the particular interests of hegemonic economic forces. Alternative *State-controlled* development programs can limit in the short run some negative effects of the operation of markets and even erode in the long run the centrality of markets in the process of social reproduction. But seizure of state power, although necessary, is not sufficient inasmuch as State-controlled programs tend to subordinate to the reproduction of bureaucratic forces that create their particular agendas of economic and political interests that, on the one hand, generate inefficiencies and, on the other, hinder social transformations. A necessary antidote to this tendency would be *Social-control* of development programs to induce the transformation of legal, ideological, educational, and

⁵ In Latin America, the debate has been intense. Some examples are Dietrich (2007) and Woods (2008).

institutional frameworks and, finally, social property and production relations. The development of independent and anti-vertical classist consciousness and organization, but also of forms of property other than private, is crucial. Also, the issue of democracy is central in this matter: the articulation between representative and participative mechanisms and structures, between horizontal and vertical lines of power and governance exercise, and among the mechanisms of deliberation, decision-making, execution and evaluation. Nevertheless, when Social-control is based on the multilateral existence of human beings as citizens and on the consequent confluence/divergence of individual values and interests of very different kinds (ethical, religious, cultural), it becomes irreducibly conflictive and even chaotic. Therefore, Social-control should be based on the common general existence of human beings as workers that socially produce to satisfy social needs in order to accomplish social reproduction. Consequently, social-control of development programs should be *led by working classes* as such; that is, of citizens as workers-consumers who subsume their individual rights to general social needs.

Anti-neoliberal and anti-capitalists programs require strong national social and political foundations, not only to confront national State power, that synthetically expresses the interests of the coalition of economic and political forces that administer capitalism in each nation, but also and especially to resist imperialist pressures. Nevertheless, the possibility of successful national anti-capitalist projects in peripheral countries is also unreal. Hence, these national foundations have to be transcended in the sense that they must be the basis for the simultaneous construction of an *internationalist program*. Coordinating of

national struggles and development programs through solidarity and common actions, strengthening regional sovereignty and self-determination in order to regain control of natural resources and strategic industries and reorient the operation of international economic organizations are indispensable measures to overcome the powers of national states and transnational corporations and to advance in the construction of a new international order to resist imperialist aggressions.

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