

INTRODUCTION

CRISIS, AGAIN

On April 26, 2021, high authorities of Mercosur countries met virtually to discuss pressing economic matters amid the COVID-19 pandemic.¹ The government of Uruguay had put forward a proposal to slash tariffs, remove barriers, and speed up new trade agreements. In support of the proposal, Paulo Guedes, the University of Chicago-trained Brazilian finance minister, praised free trade and evoked the developmental powers of the “invisible hand of the market.” Across the virtual table, the young neodevelopmentalist finance minister of Argentina, Martín Guzmán, a research associate at Columbia University and collaborator of Joseph Stiglitz, could barely contain his disdain. Citing Kenneth Arrow, Guzmán reaffirmed the centrality of the state and replied that “the invisible hand is invisible indeed because it does not exist.” Infuriated, Guedes reacted with a show of academic credentialism: “We know the economist mentioned by Minister Guzmán very well, but over half of the Nobel Prize winners came from the University of Chicago.” Citing as examples East Asian countries, Guedes argued that successful development experiences must be based on free markets. Guzmán had the last word, however. “In all cases of successful development mentioned by minister Guedes the state played a very important role.”²

That awkward economic-diplomatic exchange, ending with the refusal

of the Brazilian minister to fly to Buenos Aires for an in-person follow-up meeting, encapsulates the impoverished state of the contemporary political economy debate in Brazil and Argentina. Active states versus free markets. Neodevelopmentalism versus neoliberalism. Or “Columbia versus Chicago,” as the conservative Argentine newspaper *La Nación* would put in a headline (Jueguen 2021). One side argues for free trade and neoliberal reforms at large, the other pushes active, state-centered policies. Both invariably justify their political position in the name of capitalist development, normally conflated with economic growth. In fact, the encounter represented only the most recent iteration of a decades-long, unfruitful debate that has dominated the political economy imagination in Argentina, Brazil, and most of Latin America.

In their pursuit of market or state utopias, successive neoliberal and neodevelopmentalist administrations have repeatedly failed to promote the long-term economic growth they keep promising. In every election since the return of formal democracy in Argentina and Brazil, every presidential candidate has promised capitalist catch-up development. Although the records of some administrations have been clearly worse than others, none has actually delivered lasting economic convergence with the Global North. In 1989 Argentina had about 21 percent of the US’s per capita gross domestic product (GDP), while Brazil had just 16 percent. Three decades later, Argentina’s per capita GDP fell to 20 percent of that of the US, and Brazil’s per capita GDP fell to about 14 percent. In both cases, that proportion was lower than it had been a half century earlier.³

While Guzmán and Guedes were wielding their well-rehearsed arguments, Argentina and Brazil plummeted into yet another crisis. The COVID-19 shock hit both countries at the worst possible time. In Argentina, the former president Mauricio Macri and his starry neoliberal team left behind a country in debt distress, plagued by chronic inflation, recession, and high unemployment. At the end of his administration, 27.2 percent of the population was poor, and 4.2 percent were living in extreme poverty.⁴ The extent and depth of the crisis in Argentina fade in comparison to the situation in Brazil, however. In the biggest country in Latin America, the crisis is not only economic but also political and institutional.

With the benefit of hindsight, it is now clear that a substantial part of the international literature has been far too quick to celebrate the rise of Brazil to global power status. A short-lived “Brazil mania” began with Goldman Sachs’s famous BRICs (Brazil, Russia, India, and China) report, which predicted average GDP growth of 7.5 percent over the decade following 2001, putting Brazil side by side with Russia, India, and China as new countries that should be considered in the design of global economic

governance structures (O’Neill 2001). Subsequently, a number of authors seemed convinced that Brazil was about to become an “economic super-power” (Brainard and Martinez-Diaz 2009). James Davidson was so sure that Brazil was “the new America” that he concluded his book by recommending that his readers “secure a foothold in Brazil for yourself and your family. Obtain a Brazilian residence, or even a Brazilian passport, to assure that you will always be welcome in the country of the future” (Davidson 2011, 308).

Contrasting with the triumphant optimism of just a decade ago, instead of taking off, Brazil slid into a deep economic crisis. After stagnating in 2014, economic activity contracted by more than 3 percent a year in 2015 and 2016. In per capita terms, the aggregate GDP loss between 2014 and 2016 was approximately 10 percent. In addition, the country seems to be plagued by endless political instability. President Dilma Rousseff was ousted from office in 2016 under fabricated allegations, utterly demoralizing putative democratic institutions. With the whole political system in disarray, the stage was set for the rise of the extreme right, on the back of a cynical and highly selective anti-corruption discourse.

It is not the first time that Brazilians and Argentines have experienced a rude awakening from development dreams only to face economic crisis and political turmoil. In the first years of the twenty-first century, the initial cycle of neoliberal reforms ended up in similar, if not worse disappointment. After adopting many of the prescriptions of the Washington Consensus in the hope of attracting a wave of foreign investments and surfing on the soaring tide of globalization, sustained economic growth failed to materialize and inequality surged. Then, the epicenter of the crisis was Argentina. In the last weeks of 2001, the country descended into a state of ungovernability. Banks collapsed, the streets filled with protesters, and the incumbent president fled the government palace in a helicopter.

Why does the future never seem to arrive in Brazil and Argentina? Why are the promises of development made in the speeches of politicians—*independent of their ideological color*—never fulfilled? Why do successive waves of structural reforms adopted in the name of development fail to deliver the expected results?

My key argument in this book is that the mismatch between high expectations and bitter reality in Brazil and Argentina is not merely the result of ill-conceived or poorly implemented development policies. Rather, the roots of permanent underachievement go much deeper: they lie in the intrinsic limitations of the two mainstream development strategies that dominate the contemporary Latin American political economy landscape: neoliberalism and neodevelopmentalism.

In Brazil and Argentina, neoliberalism and neodevelopmentalism have

been at the center of the stage for decades. Since the end of the military dictatorships in the 1980s, three waves of neoliberal and neodevelopmentalist reform have taken place: first, in the 1990s, the neoliberal administrations of Carlos Menem, Fernando de la Rúa, Fernando Collor de Mello, and Fernando Henrique Cardoso left a legacy of financialization, high debt, denationalization, and high social inequality. Subsequently, the neodevelopmentalist cycle led by Lula da Silva, Dilma Rousseff, and the Kirchner family successfully reduced poverty but failed to promote lasting social change, ending up under fire from both the left and the right. Finally, President Mauricio Macri and President Jair Bolsonaro represent the return of neoliberalism, in the latter case with menacing authoritarian, dependent fascist overtones.

Although they superficially appear as polar opposites, neoliberalism and neodevelopmentalism actually share two very problematic presuppositions. First, they are based on similarly idealized views of development as capitalist catch-up. Second, they rely on an oversimplified division between states and markets. It is true that the most sophisticated neoliberal and neodevelopmentalist authors recognize that neither states nor markets can be totally suppressed. Nevertheless, as the controversy between Guzmán and Guedes shows, neoliberals place great emphasis on the putative powers of free markets to promote the best allocation of scarce resources, whereas neodevelopmentalists insist that national interest-oriented states can tame market forces, correct market failures, rise above social conflicts, and finally deliver development. Because the “free market” and the “national interest-driven state” never fully materialize, neoliberalism and neodevelopmentalism take the form of mutually excluding market and state utopias. Therefore, they produce discourses and policies that are intrinsically incomplete and unfalsifiable. Incomplete because the work of freeing markets or building up the state is infinite; unfalsifiable because repeated failures to catch up with “developed” countries can always be explained away a posteriori as the inevitable consequences of excessive or insufficient state intervention in the economy.

This book is a critique of both neoliberalism and neodevelopmentalism. To deconstruct these long-standing development fallacies, I follow a twofold approach. From a theoretical standpoint, the analysis systematically calls into question the underlying presuppositions of Latin American neoliberalism and neodevelopmentalism. From an empirical standpoint, the critique takes a deep dive into development policies actually adopted in Brazil and Argentina over the past three decades. Going beyond mainstream political economy analysis centered on contingent policy failures and implementation mistakes, this book structurally challenges neoliberalism and neodevelopmentalism, revealing that what superficially appears

as repeated crises can be better understood as the consequence of ongoing social disputes for the control of key state capabilities under continued international pressure—an important feature of dependent capitalist economies.

The starting point of my critique is a radical redefinition of the very concept of development. The idea of development that stands at the core of both neoliberalism and neodevelopmentalism is simple: to develop is to become similar to Global North countries. This involves raising productivity and consumption levels to converge with those seen in “developed” economies. Accordingly, Brazil and Argentina—or any “underdeveloped” or “developing” economy, for that matter—can potentially become developed by adopting the right set of economic and foreign policies. At that point, neoliberals and neodevelopmentalists split paths, for the policies they suggest stem from their respective market and state utopias.

The fragilities of such a simplistic view of development have been denounced by the post-development literature for decades. An influential history of “development” shows that this contested concept has its international political origins in the immediate postwar period, as a fundamental feature of the emerging US hegemonic discourse (Rist 2008, 75). Going beyond its contemporary incarnation as “development,” the broader idea of continuous progress is inseparable from Western modernity and has been directly linked to the colonial subjugation of non-Western peoples and cultures (Escobar 1995). “Development,” therefore, can hardly be considered an uncontroversial, universal goal, as implied by neoliberal and neodevelopmentalist scholars and policymakers. Indeed, the very fact that mainstream political economy debates in Brazil and Argentina completely ignore contemporary critiques of development shows the extent to which this problematic notion is taken for granted.

Arturo Escobar lists the dichotomy of “developed and underdeveloped” among the series of divides that derive from Western modernity’s fundamental dualisms. As Escobar goes on to explain, the problem lies not with the existence of dualisms per se but with the hierarchical character embedded in them (2019, 94). This hierarchical form of thinking is transparent in the neoliberal and neodevelopmentalist views of development. As I will argue in chapter 1, a critical analysis of the most representative contemporary political economy writers in the region reveals that Latin American nations are repeatedly represented as sick bodies in need of expert intervention to ascend to the superior condition of healthy, “developed” economies.

The post-development and decolonial critiques go a long way in questioning the false consensus around development, which invisibilizes and ultimately excludes alternative epistemologies and ontologies. Neverthe-

less, in the current Latin American political reality, it is not sufficient to reject development and denounce its colonial origins. As long as the critique remains external to “development” itself, the quest for real political alternatives is hopeless. As I demonstrate in the chapters that follow, political economy discourses in Brazil and Argentina are firmly grounded in representations of development. The state and its mighty apparatus of public policies can only be disputed by subordinate social groups—defined in terms of class, race, or gender—if the duopoly of development discourses is broken up and an alternative political economy of development is devised.

Here is the conundrum that this book addresses: on the one hand, some concept of development is fundamental to make sense of material transformations and inform counter-hegemonic and anti-imperialist struggles; on the other hand, the development-underdevelopment dichotomy is in itself inseparable from Eurocentric epistemological imperialism, which negates agency and legitimate knowledge to subordinated social groups. Therefore, discussing any transition from underdevelopment to development is tantamount to submitting to the hierarchical divide that created Latin America as an underdeveloped region in the first place.

Is it possible to imagine a concept of development that overcomes this theoretical-political problem? Such a concept must serve as the base for counter-hegemonic narratives of Brazil and Argentina’s social, political and economic challenges, informing the struggles against neoliberalism and neodevelopmentalism, while negating the developed-underdeveloped dichotomy. In other words, is it possible to devise a nonbinary, nonhierarchical notion of development?

I argue that the key to solving this problem can be found in an expanded reading of Leon Trotsky’s idea of uneven and combined development, which played a central role in anticapitalist fights throughout the twentieth century. Building on the work of Justin Rosenberg (2006, 2013a, 2013b, 2016) and on the emerging uneven and combined development literature from the field of international relations, I define development simply as the material transformations that emerge from the interplay between international pressures and social disputes. Development, therefore, can take many different forms; convergence with the consumption and production standards of central countries most likely being the rarest. In place of the hierarchical dichotomy between developed and underdeveloped, the concept of uneven and combined development offers an image of a multitude of interacting, nonconverging, and mutually determining development trajectories (Antunes de Oliveira 2020).

This redefinition of development enables this book to tackle questions beyond the reach of neoliberal and neodevelopmentalist ideologies, open-

ing a new path for the analysis of Brazilian and Argentine recurring crises. Instead of inquiring as to why catch-up fails to materialize and proposing yet another round of state-led or market-friendly reforms to rekindle growth, I examine how conflicting social groups fight for the control of strategic parts of the state apparatus, in the hope of offsetting external shocks and taking advantage of international opportunities to advance their specific developmental priorities.

This redefinition of development also enables a renewed engagement with dependency theory. Indeed, for almost two decades, before the 1980s debt crisis and the beginning of neoliberal supremacy in Latin America, dependency theory offered a third alternative to Latin American political economy debates in opposition to both the liberal and the developmentalist traditions. At the same time, as rightfully argued by Ramón Grosfoguel, the dependency perspective remained locked within the “*longue durée* of modernity ideas in Latin America” (2000, 362), largely reproducing the structures of epistemological domination that it claimed to overthrow.

In this book, I recover and reframe powerful and almost forgotten insights from highly creative Latin American dependency authors, such as Ruy Mauro Marini, Vânia Bambirra, and Theotonio Dos Santos. My analysis of uneven and combined development is enriched by concepts such as “super-exploitation of labor,” “subimperialism,” “dominated–dominant” ruling classes and “dependent fascism,” which provide the building blocks for alternative narratives of the uneven social effects of neoliberal and neodevelopmentalist policies adopted during the past three decades in Brazil and Argentina. As I argue throughout the book, uneven and combined development often takes the form of uneven and combined dependency on the periphery of global capitalism. Social relations and productive structures change and develop while reproducing essential traits of dependent capitalism.

The comprehensive critique of Latin American neoliberalism and neodevelopmentalism proposed in this book is advanced over six chapters and an epilogue. Chapter 1 sets the foundation of the analysis, further defining neoliberalism and neodevelopmentalism through an engagement with representative authors of both camps. Taking a decolonial stance and placing Latin America as a legitimate producer of knowledge about itself, the book privileges engagement with contemporary neoliberal and neodevelopmentalist scholars and policymakers from Brazil and Argentina, particularly those who have held relevant executive positions over the past three decades, such as Domingo Cavallo, Carlos Escudé, Armínio Fraga, Samuel Pinheiro Guimarães, Luiz Carlos Bresser-Pereira, Roberto Lavagna, Frederico Sturzenegger, and Axel Kicillof, among others. Despite the enormous differences between their ideas, I will argue that they all rely on

very similar views of development as capitalist catch-up, complemented by either market or state utopias. I then proceed to define an alternative international political economy framework of analysis, building on Trotsky's concept of uneven and combined development and Latin American dependency theory, broadly conceived as a forgotten international political economy (IPE) school (Reis and Antunes de Oliveira 2021; Antunes de Oliveira and Kvangraven 2023).

The empirical core of the book can be found in chapters 2 to 6. Their overarching aim is to analyze concrete manifestations of neoliberalism and neodevelopmentalism and to provide a new explanation for the recurrence of crises in Brazil and Argentina. In chapter 2, I take a closer look at the neoliberal reforms in Argentina in the 1990s. In chapter 3, my focus is on Brazil and the neoliberal policies implemented by Presidents Collor and Cardoso. In chapter 4, I turn to the neodevelopmentalist policies of Presidents Lula and Dilma Rousseff. Chapter 5 returns to Argentina to analyze the neodevelopmentalist administrations of Presidents Néstor and Cristina Kirchner. Finally, turning to the most recent wave of neoliberal reforms, chapter 6 assesses President Macri's administration. The epilogue provides a preliminary examination of the particularly dangerous iteration of neoliberalism represented by the dependent fascist administration of Jair Bolsonaro in Brazil.

Each chapter starts with an in-depth analysis of political discourses. Particular attention is given to the representation of "development" and to how state or market utopias are mobilized to justify different sets of public policies. My contention is not that discourse precedes policy or social reality. Rather, the political discourse analysis undertaken at the beginning of each chapter attempts to map the class interests that underpin particular neoliberal or neodevelopmentalist representations of "development." In each chapter, my critique of neoliberal and neodevelopmentalist discourses is then complemented by a detailed analysis of two crucial sets of public policies: macroeconomic and foreign policies. These two strategic areas are privileged because they represent key state capabilities, particularly in times of crisis. In the contemporary capitalist world, it is primarily through fiscal, monetary, exchange, and foreign policies that nations deal with external shocks, deciding the relative winners and losers of the necessarily uneven character of development. In other words, macroeconomic and foreign policies are the key tools used by Brazilian and Argentine ruling classes to reproduce uneven and combined dependency. The last section of each chapter reviews the narratives offered by neoliberal and neodevelopmentalist authors for the perceived developmental shortcomings of each period, juxtaposing them with emerging feminist, antiracist, and critical, antihegemonic voices. Drawing on this plural contribution in the light of

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Trotsky's concept of uneven and combined development and dependency theory, the book closes with an effort at synthesis, challenging the duopoly of legitimate discourses about development shared by neoliberals and neodevelopmentalists.