

Why Did the Latin American Critical Tradition in the Social Sciences Become Practically Extinct?

From structural adjustment to
ideological adjustment

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“Anyone who wants to move with the times is not allowed to be different. Psychological emptiness is itself only the result of the wrong kind of social absorption.”

“Today the appeal to newness, of no matter what kind, provided only that it is archaic enough, has become universal.”

“Newness only becomes mere evil in its totalitarian format, where all the tension between individual and society, that once gave rise to the category of the new, is dissipated.”

Theodor Adorno

We welcome illusions because they spare us emotional distress,
and enable us instead to indulge in gratification.
We must not complain, then, if now and again they come into collision
with some portion of reality and are shattered against it.

In reality our fellow-citizens have not sunk so low as we feared,
because they had never risen so high as we believed.

Sigmund Freud

1.- Introduction: The Latin American Critical Tradition in Political Economy

Discussing Say's Law, Keynes once said that Ricardo had conquered England as completely as the Holy Inquisition conquered Spain. Something similar has happened in Latin America (LA) today, where neo-liberalism has conquered the region, including most of its left-wing intelligentsia, just as completely (and just as fiercely) as the Holy Inquisition conquered Spain. In fact, this process has been so successful that it has actually had the effect of 'closing the imagination' to conceptualising real alternatives. As a result, not even the Latin American left that has so far resisted the neo-liberal tsunami has been able to generate a new tradition of critical thought; hence, the neo-liberal slogan "there is no alternative" has become one of the most effective self-fulfilling prophecies of all time.

LA is a region whose critical social imagination has stalled, changing from a relatively prolific period during the 1950s and 1960s to an intellectually barren one since the 1982 debt crisis and the fall of the Berlin Wall. Of course, it could be argued that what happened in LA is not really different from what happened in the rest of the world, both developed and developing. One could even argue that the recent demise of critical thinking has spread around the world almost as a pandemic – transforming critical thinkers into an endangered species (see Arantes, 2007). However, in LA the downswing of this cycle of critical thinking seem to have been more pronounced. These phenomena bring to light issues related to the *sustainability* of an intellectual tradition, and in particular of its capacities for critical thinking.

The emergence in LA after the Second World War of an intellectual tradition in the social sciences somehow runs against what one could call the 'Iberian tradition'. This tradition has been far more creative in painting, music, literature and film than in its contributions to the social sciences. Basically, in the Iberian Peninsula social sciences have suffered as a result of a lack of "enlightenment" beyond the arts and letters, and, more specifically, because of the lack of sophistication in the exercise of power by the state. Here the ideas of Foucault are crucial to an understanding of this issue. One of Foucault's main points in this respect was that knowledge and power are interrelated, one presupposing the other (see Foucault, 1980). Aside from its philosophical dimension, Foucault's idea intended to show how the development of social sciences was interrelated with the deployment of 'modern' forms of power. These need to be exercised with a much more fine-grained knowledge of society and of forms of domination. The modern state required the development of the social sciences to find more sophisticated forms of 'disciplining' individuals and groups; that is, more sophisticated forms of knowledge are required for more sophisticated technologies of power.²

In the 'Iberian' world, since states have often governed through 'un-modern' means, and at times via crudely mediated forms, they have required a much lower level of development of the social knowledge, and less sophistication in the forms of control. And as these states have had either no real need for the advancement of this knowledge, or the capacity to develop the institutions that were necessary for acquiring it when it was required, social sciences have been relegated to a relatively marginalised academic enterprise — thus lacking the 'objective incentives' that could have helped generating the creativity found in Iberian paintings, music, literature or films. Basically, where is the Picasso of Iberian economics? The García Lorca of Iberian political sciences? The Almodóvar of Iberian sociology? The Segovia of Iberian anthropology? The García Márquez of American-Iberian human geography? Or, the Neruda of American-Iberian social psychology?

In fact, a crucial input into the rapid development of LA's social (and natural) sciences after the Second World War was the impact of a non-Iberian European immigration. This immigration was in general different from previous ones in that it comprised a large number of intellectuals, including many Jewish academics escaping Nazi persecution. Another input was provided by the rise in

² For a discussion of Foucault's ideas in the context of the Arab world, see Frangie (2008).

many countries of a more endogenous 'mestizo' class, struggling to transform white-Iberian dominated pre-capitalist societies. The writings of Mariátegui probably best reflect this phenomenon (see Mariátegui, 1928). His main message was that a socialist revolution should evolve organically on the basis of local conditions and practices, not as the result of mechanically applying European formulae. This, of course, is also extremely relevant to the issue of the *sustainability* of a regional intellectual tradition. As will be argued below, this lack of sufficiently strong endogenous roots in Latin American critical thinking explains in part why it moved so easily in tandem with ideological and political changes elsewhere, particularly in Western and Eastern Europe.

2.- The Emergence of Structuralism and Dependency Analyses

After the Second World War, the Latin American critical tradition in the social sciences revolved around two axes, Structuralism and 'Dependency analyses'. Although there was an important degree of diversity to them, one crucial characteristic of these intellectual traditions was that they were associated with a growing regional consciousness of 'under-development'; i.e., a growing realisation that, from an evolutionary point of view, LA was not progressing along the expected developmental path that would bring the countries of the region closer to the socio-political and economic structures of more industrialised countries. So, instead of 'catching-up', LA was getting increasingly trapped in a sort of evolutionary blind alley. For structuralists, then, the key issue was how to engineer some structural change in the economies of the region that would help foster those economic activities with the externalities and the spill-over effects needed to set in motion processes of cumulative causation that take advantage of dynamic economies of scale, increasing returns, etc.; and for 'dependentistas' how to turn LA into a totally new direction. What was needed then was a new (and vigorous) form of agency; for structuralists a renewed leading economic role for the state, and for 'dependentistas' a more radical and visionary political leadership for the left.

However, an important characteristic of these new critical traditions was that those most involved in them were rather 'semi-detached' from endogenous socio-political movements and organizations. In fact, it is no accident that one of its most creative sources (structuralism) developed, of all places, within a UN agency (ECLAC), and was led by an ex-president of a central bank (Raúl Prebisch); and that in another (dependency) one of its most influential branches

was set in motion by someone recently graduated from the Economics Faculty of the University of Chicago (Andre Gunder Frank)! That is, these intellectual traditions, because of their rather superficial rooting in endogenous socio-political movements, did not have many 'organic intellectuals' (in a Gramscian sense).³

3.- *Whatever Happened to the Structuralists and the 'Dependentistas'?*

Two characteristics of structuralist and dependency analyses that are relevant to the story of the subsequent downfall of Latin American critical thinking are the highly *economicist* nature and the increasingly *fundamentalist character* of a substantial part of their intellectual output (especially of the politically most influential "development of the underdevelopment" approach to dependency analyses).⁴

The central proposition of my 1978 survey on dependency was that in most of these analyses the complex dialectical process of interaction between beliefs and reality kept breaking down. Although not an unusual phenomenon in the social sciences, this took rather extreme forms in most dependency studies. For example, while many 'dependentistas' wrote on the non-viability of capitalist development in LA, the region was experiencing a rather dynamic period of economic growth, which had no precedent and has had no continuity since. In Brazil and Mexico, for example, productivity grew at nearly four percent per year between 1950 and 1980 (trebling during these three decades). However, a huge amount of the Amazon was deforested to keep up with publications of the time analysing why capitalism had become intrinsically unable to develop the productive forces of the region! Oddly enough, nowadays I would struggle to find sufficient publications that are really critical of capitalism in its neo-liberal reincarnation to justify a similar survey article, even though productivity per worker-hour in both countries (and in most of the region) has practically stagnated for the last three decades (see GGDC, 2008).⁵ And what critical

³ For a comprehensive analysis of structuralism, see Rodríguez (2006), and for 'dependency analyses' Palma (1978). See also, Blankenburg, Palma and Tregenna (2008); Cardoso (1974); Cardoso and Faletto (1979); ECLAC, 1963; Furtado, 1970; Palma, 2008a; and Taylor, 2004.

⁴ By fundamentalist I mean that the purity of belief increasingly came into conflict with the intricacies of the real world. For detailed analyses of this branch of 'dependency', see Palma (1978) and (2008c).

⁵ This stagnant average does not mean, of course, that nothing is happening in the real economy. The basic difference between the two periods (pre- and post-1980) is that while during the former the 'engine' (manufacturing) was able to pull along the rest of the

literature does exist tends to concentrate mostly on important but rather specific issues, such as the urgent need to re-introduce some form of 'market-friendly' trade and industrial policies, 'prudent' capital account regulations, growth-enhancing macros (with more competitive exchange rate and flexible monetary policies), and increased investment in human capital and technological innovation and absorption.⁶

However, the problem with many 'dependentistas' was not only related to how 'factual' matters were revealing internal theoretical inconsistencies. It was also about the emotional energy that most of them began to invest in the idea that peripheral capitalism was about to collapse under its own (dead) weight, and the symbolic meaning that they began to attach to the almost 'inevitable' arrival of socialism in the region. Basically, there was no question that capitalism would dissolve well before it had matured. Even though political events in the following four decades may have proved them right in their "now or never" approach to the socialist revolution in the region, the question still remains: why did their analysis have to be fixated on trying to prove the economic non-viability of capitalism in LA in order to argue for this "now or never" hypothesis?

Since Picasso said that "every portrait also has to have elements of a caricature", perhaps I may be forgiven for one: a great deal of dependency analysis became like one of those cults that predict the end of the world – in this case, "the end of capitalism in the periphery is nigh!" The serious point I am making, of course, is that the problem with the members of those cults is what are you supposed to do the day after the predicted doomsday date has passed? Especially when capitalism, far from of collapsing like a house of cards, gained instead a new and powerful lease of life as a result of rather remarkable international events, the neo-liberal reforms, and the success of the new process of legitimisation of capital. The region's oligarchy in particular gained a new lease

economy with it, during the latter the 'engine' (commodity exports) has failed to do the same. In Brazil, for example, between 1950 and 1980 the real rates of growth of manufacturing and GDP were very similar (8.8% and 7.3% per year, respectively), while in the five years since Lula was first elected in 2002, the asymmetry between export and GDP growth could hardly be greater (13.3% and 3.5%, respectively; see ECLAC's Statistical Database: <http://www.eclac.org>). The Mexican case is also particularly interesting to analyse since the stagnation of the country's average productivity took place in a context of both unprecedented inflows of FDI and practically unrestricted market access to the US – the first two items on all DCs' growth agenda today; see Palma (2005a).

⁶ See for example the papers collected in Ocampo (2005). In this area, see for example the work of Carlos Díaz-Alejandro, Fernando Fajnzylber, Ricardo Ffrench-Davis, Roberto Frenkel, José Antonio Ocampo, and (the honorary Latin American) Lance Taylor.

of political life characterised by a degree of political and ideological hegemonic control not seen in the region since before the First World War.

The notion that this new lease of life for capitalism in LA has so far not been particularly dynamic does not change the fact that capitalism did get a new lease of life when it was supposed to collapse. Basically, industrialists lost most of their political power to those associated with commodities, finance and retail – making LA resemble what would have probably happened in the US had the South won the Civil War. Accordingly, the logic of accumulation and policy-making switched from domestic industrialisation to what could be call “plantation economics cum downwardly-flexible labour markets and easy finance”.⁷ Not surprisingly, the new lease of life of Latin American capitalism has been characterised mostly by predatory and rentier forms of accumulation (by both domestic and foreign capital), which followed a rather extreme process of primitive accumulation especially through corrupt privatisations. And this faltering process of accumulation has brought not only ‘premature’ de-industrialisation, but also economies with little or no capacity to increase labour productivity (particularly when measured in ‘per hour-worked’ terms, rather than ‘per worker’ with each worker working ever longer hours in an ever more precarious labour market). Still, the poor performance of most countries in LA does not change the fact that capitalism was politically re-energized when it was supposed to disintegrate – ‘sub-prime’ capitalism is still capitalism.

There is little doubt that many structuralists and some ‘dependentistas’ did make substantial contributions to our understanding of how capitalism works in the periphery. Dependency analysis also had a powerful impact on the anti-capitalist and anti-imperialist struggles in the region. It even had an impact on the anti-fascist struggles in Spain and Portugal. And, of course, many dependentistas were prepared to put their own lives on the line for their ideas. But as a whole, dependency analysis as an intellectual approach ended up being significantly constrained by its growing fundamentalism (and ‘concept-worshipping’) in which, as mentioned above, the purity of belief inevitably came into conflict with the complexities of the real world.

In this respect, growing fundamentalism was related to the fear that by allowing new ideas or forms into one’s system of belief they might destroy the belief itself. An example of such an idea for many dependentistas would have

⁷ Consequently, manufacturing industry was decimated; for an analysis of this process of ‘premature’ de-industrialisation, see Palma (2005b) and (2008b).

been a real consideration of the possibility that the struggle for socialism in post-Cuban-Revolution LA may yet prove to be a rather long one. The dread of a collapse in one's system of belief can easily bring the destructive instinct into play; a fundamentalist system of belief needs constantly to 'purify' the realm of ideas. There can be no such thing as the right of dissent. For example, in dependency analysis one clearly finds Britton's proposition of an inverse relationship between the expectation to understand the real world and the intolerance of dissent (see Britton, 2002). This, of course, is not unique to dependency analysis. For example, Gustavo Franco (Harvard Ph D, and one-time heterodox economist), when asked as Head of Brazil's Central Bank during Cardoso's first term of office why he became neo-liberal, his answer was simply: in Brazil at the time "[t]he choice [was] between being neo-liberal or neo-idiotic [neo-burro]" (Veja, 15/11/96).⁸

However, even if a significant part of dependency analysis was eventually hijacked by fundamentalist beliefs, the post-war Latin American critical tradition did have a great deal of critical creativity, especially in the way in which it tried to articulate many of its inputs (French structuralism, the German Historical School and Keynesian macroeconomics) with Latin American economic and political history.⁹ Of course, part of the subsequent problem also came as an influence from 'abroad' when in a great deal of dependency analysis this mix was eventually taken over by "global dogmatic left-wing thinking", which characterised radical thinking – both Marxist and non-Marxist – in so much of the world at the time. And this phenomenon helps to explain why this critical tradition collapsed when the overall political climate changed for reasons that were pretty much unrelated to LA.

In sum, as an intellectual movement, the pre-1980 critical tradition in LA had many original inputs and creative thinkers, but no strong political and social base.¹⁰ Moreover, a great deal of the movement was eventually seduced by fundamentalist beliefs not just due to the above-mentioned influence of 'global' dogmatic radical thinking of the time but also due to the fact that most of its analyses got stuck in analytical *cul-de-sacs*. In the case of the structuralists, for

⁸ For a similar simplistic ideological discourse, but in dependency analysis, see some of the papers in *Latin American Perspectives*, 1(1).

⁹ Cardoso once called this 'the originality of the copy' (1977).

¹⁰ Those who made influential contributions in the structuralist camp include Ahumada, Bacha, Díaz-Alejandro, Fajnzylber, Furtado, Noyola, Prebisch, Pinto, and Rodríguez; while in dependency analyses they include Caputo, Cardoso, Dos Santos, Faletto, Hinkelammert, Laclau, Lessa, Marini, Pizarro, Serra, Sunkel, and Tavares.

example, the latter happened when it became obvious that the Latin American capitalist elite was quite happy to appropriate all the rents created by the state with their import-substituting industrialisation policies, provided they did not come (as in East Asia) with performance-related conditionalities, or had to move to a meaningful process of regional integration – i.e., the Latin American capitalist elite only likes carrots that come with no sticks! In turn, in the case of the Marxist left associated with the Communist Parties, this happened when it became obvious that broad ‘anti-imperialist alliances’ did not work because the domestic bourgeoisies were anything but anti-imperialist. And in the case of the ‘insurgent’ left, this point was reached when it became obvious that the Cuban Revolution was not replicable in the rest of the region, even if the armed struggle was led by a figure such as Ernesto Guevara.

The election of Allende in Chile in 1970 gave all branches of dependency analysis a much needed boost (and many ‘dependentistas’ held senior jobs in government), but with the deaths of Allende and the ‘Chilean Road to Socialism’ dependency analysis entered what proved to be a terminal decline.

There were also powerful external political pressures on the different branches of dependency analysis to become what they did, and then to collapse as they did. Capacities to respond and to adapt to external political pressures are indeed a crucial component of the explanation of the varying fortunes of critical analysis in LA. In fact, in the intellectual life of the region after 1980 the key transformation was for the external political pressures to switch from a premium on critical thinking to one on ‘acquiescence’.

So, structuralist and dependency analyses were not only too ‘economicist’ and (in the case of most of the latter) increasingly fundamentalist, but also got themselves into analytical *cul-de-sacs*, which in part explains not only why they were obliterated by later events, but also why it has proved to be so difficult to recover subsequently. That is, these *cul-de-sacs* were so intractable that they seem to have led structuralists and ‘dependentistas’ to fail in what Keynes calls (following his own efforts to break out from mainstream economics of the time) “the struggle of escape” (Keynes, 2007: 9).

So, what needs to be discussed next is not only why most of the Latin American left lost its *absolute certainties*; it is also why, instead of moving from a position of *absolute certainty* to one of *absolute doubt* – or, ideally, to a more creative position based on *uncomfortable uncertainties* – it actually chose to move from one type of *absolute beliefs* to another type of *absolute beliefs*. That is, why an important part of the Latin American left was seduced by the next

available religion: neo-liberalism of the type embodied in Mrs. Thatcher's favourite slogan: "THERE IS NO ALTERNATIVE"?

4.- Switching From One Form of 'Absolute Belief' to Another Form of 'Absolute Belief'

Even though much has been said regarding the ideological transformation of most of the Latin American left after the 1982 debt crisis and the fall of the Berlin Wall, the basic question remains: why has the mainstream of Latin American socialism mutated from a "dangerous" idea/movement to the capitalist elite's best friend?¹¹ One of the key problems for the left today is the difficulty in implementing a progressive nationalist development agenda. This type of agenda requires a sufficiently strong domestic constituency behind it so as to be able simultaneously to take on all the 'usual suspects' (in the form of international and domestic forces) that are fiercely opposed to it. This constituency is required, for example, for the state to be able to impose 'East Asian-style' discipline on capitalists (and sometimes on workers), and indeed to carry out other necessary economic and social restructuring (like the modernisation of the state, the appropriation of rents associated with natural resources, and the productive use of all forms of rents). One of the main lessons of the economic and political history of the South is that these strategies seem to be feasible only if those at the top happen to face very limited internal opposition. That is, in most places apart from East Asia – which had a very peculiar history to do with Japanese colonialism – this has proved very difficult to organize politically (see Khan, 2000).

The 'new left' in LA is characterised by having come to the conclusion (a bit too eagerly) that, under the current domestic and international constraints, the assemblage of the necessary social constituencies for progressive agendas is off the political map. As a result they gave up their progressive agendas,

¹¹ The two Socialist parties in Chile, the Workers Party in Brazil and the ANC in South Africa (at least during the Mbeki period) are the paradigmatic cases. For example, when Fernando Flores (Allende's Minister of Finance and de facto Chief of Staff) returned to Chilean politics after the fall of the dictatorship, he put his return down to having "got bored" with making money. When he then ran for a seat in the Senate, his close friend, Carlos Slim – according to all rankings, one of the three richest persons on earth – took time off from his busy life to come to Chile to help in his campaign. Something similar happened in Britain, where a recent report indicated that the wealth of the richest one thousand individuals in the country had increased six-fold during the first ten years in office of 'New Labour' (to nearly one trillion dollars; see Financial Times, 29/4/08). For an early analysis of the 'new left' phenomenon in the Australian context, see Harcourt and Kerr (1980). For an analysis of economic ideas and institutional change in the Twentieth Century, see Blyth (2002).

abandoned the economy as the fundamental site of the struggle, and eventually conceded the whole terms of the debate.¹² Why?

The first issue that it is necessary to understand is the political pressure put on left-wing parties by the transitions to democracy. Democratic governments became possible in LA during the 1980s and early 1990s in part due to controversial political settlements based on an agreement (partly explicit, partly implicit) that the new democratic forces when in power would not challenge existing structures of property rights and incentives. Probably the best way to summarise the nature of these transitions to democracy in LA is that implicit in these was the understanding that Latin Americans would get their much desired freedom of speech, provided that in practice they would not demand, and eventually they would not even think, what they had previously been forbidden to say.

One immediate problem emerging from these new political settlements that allowed democratic governments to be elected was how to sell them to the electorate. The Chilean case is typical.

As is well known, when Pinochet called the 1988 plebiscite (to remain in power for another 8 years) he tried to make it into a plebiscite on his neo-liberal economic policies and not one on democracy and human rights. After long deliberation, the leaders of the democratic movement in Chile (The "Concertación") decided not to fall into that trap and to make the central issue of the plebiscite whether or not Chile should continue for another eight years as a banana republic rather than on the supposed effectiveness of the neo-liberal economic reforms. The cost of this strategy for the democratic forces was to give a tacit support to Pinochet's neo-liberal economic model – at least by default. The benefit was to win a very difficult plebiscite. Of course, many people expected that this tacit support would change once the new democratic government was in office. But no such luck! Why?

The answer is that once in government, the 'Concertación' followed the well-known path of so many crucial ideological transformations in history. Change always seems to start as urgent practical 'necessities', not for intellectual reasons. These urgent necessities are transformed into actions that are soon

¹² According to Faletto, for many in the left suddenly "[t]he core issues that had characterised dependency analysis – national autonomy and sovereignty, and alternative development strategies – looked as if made totally irrelevant by new events, and the only apparent alternative became how to integrate quickly into the 'new modernity'." (1999: 25; my translation).

articulated into 'policies', to find their way then to becoming 'ideology'. Almost before anybody could notice, the 'Concertación' government, (especially its economists with the longest record of criticising the neo-liberal model while Pinochet was in power) became converted to the four key dogmas of neo-liberal thinking: i) anything that happened before the neo-liberal reforms was wrong, inefficient and populist; ii) once the reforms have been implemented, any problem that emerged could only be solved by more neo-liberal reforms (or, if more liberalisation, de-regulation or tax cuts could not solve a given problem – e.g., income distribution – that was a case of a problem that had no solution);¹³ iii) the only role of economic policy is to generate 'credibility'; and iv) the only way forward is to open up the economy fully to globalised capitalism, even if this means having to live permanently in an economic 'state of emergency' – and, of course, in such a high economic risk environment, the transformation of society becomes the ultimate unacceptable risk (see Arantes, 2007).

The main point I am making here is that this transformation of 'urgent necessities' into 'policy', and then to 'ideology' (or from tactic to strategy, and then to principle) has a further twist in LA. How 'truthful' and extreme were those 'urgent necessities'? How much was this 'fierce urgency of now' also *self-constructed contingencies*, in the sense that they resulted, at least in part, from having already opted for the risk-averse option to continue with an unmodified neo-liberal economic model? That is, how much were they also simply overstated as an excuse?¹⁴

In other words, following Sartre's concept of '*mauvaise foi*' (bad faith),¹⁵ what I am really saying is that I believe that a key component of the 'urgent necessities' argument used by the 'new left' everywhere in LA, but especially in Chile and Brazil (and South Africa), was an exercise by the 'new left' destined as much to deceive others as to *deceive themselves* into believing that the transformation of society had become the ultimate unacceptable risk.

¹³ At the beginning of the 20th Century, a Chilean President (Ramón Barros Luco) famously said that in life "99% of the problems will get solved by themselves, and the remaining 1% has no solution." The neo-liberal version of this world-view is that now "99% of the problems can be solved by more neo-liberal reforms, and the remaining 1% has no solution"!

¹⁴ In this context, perhaps Freud (1908) gives us a clue: "Anyone who knows anything of the mental life of human beings is aware that hardly anything is more difficult for them than to give up a pleasure they have once tasted. Really we can never relinquish anything; we only exchange one thing for something else. When we appear to give something up, all we really do is to adopt a substitute."

¹⁵ For a definition of an argument of 'bad faith', see Sartre (1993).

Of course, the 'good governance' agenda of the Washington Consensus helped in this direction, as in the small print it contains two additional items for ex-critical thinkers now in government (although really not in power): one is that the first thing they have to learn is how to 'govern' their own critical tendencies. The other is that they have to do whatever is necessary to govern the critical tendencies of the rest of the left. The mechanism was simple enough: they had to dramatise to the extreme the economic risks associated with any progressive agenda (speculative attacks, exchange rate crises, possible stampedes by restless fund managers, inflationary pressures, fiscal collapses, and so on). This is not really difficult to achieve, since in the new model 'openness, liberalisation, deregulation and flexibility', particularly in the financial sphere, really mean increasing risk and heightening uncertainty, which leads to a situation in which one has to live permanently under the logic of a *state of emergency* (see Arantes, 2007).

As progressive change came off the political agenda of the 'official' left, the Latin American left separated into two camps: the *managerial* and the *radical*. The first, the huge majority, reinvented itself into a new political role in which the only "progressive" challenge ahead was to learn how to manage a new 'social-risk-hedging-state' effectively. The radical camp tried to remain as a critical thinking force, but today is rapidly becoming an endangered species.

The critical ideological trick of the *managerial* majority was to disguise the pro-business (i.e., pro-large corporate interest) component of their new ideology in a fog of "new-look" pragmatism; and, in particular, never to say or do anything that could wake the socialist ghosts of the past. Eventually, for them to be or not to be left-wing became practically a biographical fact (just an eccentric detail that needed to be played down in their *résumé*).¹⁶ It also helped to convince themselves and the rest of society that the 'dissident' left-wing camp was just made up of pedantic doctrinaires.¹⁷

It would not be an exaggeration to suggest that perhaps there is an important similarity here between (former best friends) Mrs. Thatcher and Pinochet. In a recent interview, the ex- British Prime Minister said that her

¹⁶ In a recent speech, Lula has dismissed his revolutionary past as being down to his youth at the time; however, now "[m]aturity has distanced me from the left" (quoted in FOLHAONLINE, 2/5/08, <http://www1.folha.uol.com.br/folha/brasil/ult96u87635.shtml>). In his newly acquired wisdom, he went on to say that "[i]f one finds an older person that is left-wing, that person has a problem. And if one finds a young person that is right-wing, that person also has a problem" (Ibid.).

¹⁷ Or "neo-silly" ("neo-bobos"), according to Cardoso.

greatest political achievement was 'New Labour'. Likewise, perhaps the greatest political achievement of Pinochet (and other military dictators of that time) is the Latin American 'new-left' – with its use of "newness" and its manic managerial defences as disguises for their ideological retreat.¹⁸

According to Paulo Arantes (2007), Pascal's philosophy helps explain the ideological metamorphosis of the 'managerial' camp. One just has to follow the ritual "behave as if you believe and credibility will come along. [...] Show a rigid devotion to the liturgy and you will end up believing." The secret is to do it with the regularity of an automaton. The key is not to mix what you do with what you say you do. Split discourse from reality, and create false dichotomies, like claiming that choice is to be either a 'grown up pragmatist' or a 'peddler of dreams'.

No doubt all this has an element of pragmatism, which is necessary for political survival; but there is nothing like automatism as a force towards the giving up, little by little, and almost without noticing, one's own convictions. And there is surely a difference between pragmatism and 'cynic-realism.' As Oliveira has argued, almost before anybody could notice (and not surprisingly) change did not only happen at the level of ideas but also at a politico-institutional one – and the Workers Party in Brazil, for example, began to resemble closely a 'Peronist-type' party in its style of government, in the way it dealt with internal dissent, and in its growing level of corruption.¹⁹

Another instrumental factor for the emergence of the 'new-left' has been that within the Iberian tradition societies are often run by huge state apparatuses full of bureaucrats prepared to follow whatever ideology is the order of the day. This political weakness of (what Mushtaq Khan has called) "the administrative classes" has proved to be of great help for the new political agenda of the 'managerial' left (see Khan, 2000).

However, the issue of why it was so difficult for most socialist thinkers in LA to integrate 'markets' with their previously held beliefs is a complex one. As Gramsci said, for an ideology to remain hegemonic it has to be able to absorb (in a creative sense) elements from alternative ideologies. But the bottom line is that in this case new ideas, instead of interacting creatively with existing ones,

¹⁸ For some of the peculiarities of the concept of the "new" in the ideology of the 'new left', see Adorno's quote at the beginning of the paper.

¹⁹ In Chile, in turn, in a recent interview a former president of Allende's Socialist party described his party as a "pure clientelist machinery" (see Basadre, 2008).

ended up shattering the previous system of belief; so, a new set of ideas and beliefs ended up simply replacing the preceding ones. This did not happen in Asia, at least nowhere to the same extent as in LA. For example, in many countries in Asia economic reform was implemented in a much more pragmatic, imaginative and diverse way, and all actors in favour of the reforms (including local capitalist elites and most ex anti-capitalist intellectuals) were probably just too cynical to be charmed by fashionable new ideologies – especially if most of the so-called “new” ideas were just recycled ones from the past (see Krugman, 1995). In short, they did not fall, as their Latin counterparts did, in the mirage of “newness”. At the same time, a critical tradition remained – as was the case, for example, in India.

Something similar to the ‘new left’ phenomenon in LA happened to the ANC in South Africa. In its first fifteen years in office the ANC has not challenged the previous structure of property rights and incentives – creating a black capitalist elite through the ‘black empowerment’ programme can hardly be called a ‘challenge’ to them. In fact, it has actually strengthened the previous structure of property rights by, for example, opening the capital account to legal capital flight by the white oligarchy – a right they never had under apartheid. Moreover, more than anyone else the ANC had the political constituency necessary to construct a feasible alternative progressive agenda. In LA, only Lula and the Workers’ Party in 2002 had a political constituency for this that could resemble that of the ANC in 1994.

In sum, even if one were to agree with the majority of the ‘new left’ that there was little option but to accept a political settlement of the kind found in LA and South Africa.²⁰ And even if it possible to understand that part of the logic of this strategy was both to tell ‘stories’ to their base (to hide backroom agreements not to investigate corrupt privatisations and so on), and to tell ‘stories’ to the capitalist elite and international financial markets (in order to conceal their initial reluctant acceptance of the neo-liberal model), what truly amazes me is how easily the ‘story-telling’ convinced the story-tellers themselves! In fact, often the crucial factor in the credibility of the story being told ended up being whether the story-teller himself or herself truly believed in it.²¹ For example, one of the

²⁰ I firmly believe that democratic forces had much more room for manoeuvre than they acknowledged at the time.

²¹ Adorno once said that a German is someone who cannot tell a lie without believing it himself (or herself); maybe my ‘neo-comrades’ are now the ones that cannot tell a story without believing it themselves!

crucial problems of the new left governments was that if they wanted to continue with the neo-liberal model, especially fully-open finance, they had to be 'credible' with international and domestic financial markets. But how to sell 'credibility' if they had never previously believed in neo-liberal economics and politics themselves? How to sell credibility after so many years of neo-liberal atheism? Surely their former hostilities did not make for the best 'business card'! So it seems that to be credible and placate international and domestic financial markets there was little alternative but to become true born-again neo-liberals. Nothing less would do.²²

In fact, I sometimes wonder whether the brand of neo-liberalism bought by the 'new left' in LA is just shorthand for "nothing left to decide" – and, of course, "nothing left to think about critically"! Indeed, the new left's attitude towards neo-liberal economics today resembles Lord Kelvin's attitude towards physics at the end of the 19th century, when he declared that "[t]here is nothing new to be discovered in physics now. All that remains is more and more precise measurement" (1990).²³

5.- Is It Appropriate to Call the Latin American 'New Left' Neo-Liberal?

5.1.- What is neo-liberalism?

As is well known, what is common to the ideological discourse of nineteenth-century liberalism and current neo-liberal thinking is the supposed harmony between the private and the social spheres. The (supposedly class-blind) 'invisible hand' is the one in charge of translating private self-interest into optimal social outcomes. So, competitive markets in which rational economic agents are able to maximise their own private selfish interests becomes the stuff that social optimum dreams are made of.

Of course, the automatic and necessary translation of selfish private interests into social optimums is a rather useful story. Not everyone will be happy in capitalism, but when this happens it is because individuals have had bad luck, have lacked useful skills, have operated in an institutional setting that has

²² The Chilean Finance Minister between 2000 and 2006 (a member of one of the two socialist parties, and former member of the Communist Party; currently top executive at the IMF) said while in office that the reason why Chile had performed so much better than the rest of LA is that "[i]n Chile, we truly believe in the neo-liberal model, while the rest of LA implemented this model only because they had no option but to do so".

²³ Lord Kelvin was one of the most important physicists of the 19th century, who played key roles in the development of thermodynamics, electric lighting and transatlantic telecommunication; he was buried next to Isaac Newton in Westminster Abbey.

hindered free markets, or have themselves been guilty of resisting the harmonizing magic of the invisible hand (which is all their own fault anyway, and can be changed). As a result, distributive outcomes are supposedly not the product of any form of exploitation or power relations that favour some and disadvantage others in any systematic way. There are bound to be winners and losers, but only in a strictly Darwinian sense. In sum, within this framework it cannot be said that in capitalism there are systematic inequalities or injustices, only anonymous market forces that produce an efficient distributive outcome (given certain conditions).

Furthermore, the story of anonymous free market forces and optimum equilibria allows one to blame the state (and those who don't respect the rules of the game) rather than capitalism or unregulated markets for anything that goes wrong.

However, there are also major differences between the classical-liberal and the post-1980 neo-liberal discourses. Smith and the Enlightenment were of course right on the fundamental issue that human beings can look after their own interests without needing a Church or a King to tell them what to do. This was a remarkably progressive proposition for its time. In fact, the three 'pillars' of the classical liberal discourse – *markets*, *knowledge* and *freedom* – had this progressive characteristic for its time. So did the Keynesian-style liberalism that began to emerge in the late 1930s as a result of the long depression and events in Russia and Germany; in fact, its innovative vision not only tried to reformulate all three 'pillars' of the liberal discourse, but went as far as questioning the supposed harmony between the private and the social spheres.²⁴ Basically, for Keynesian-style liberalism unregulated market forces could, at best, offer sub-optimal equilibria and unemployment, and at worst, crises of the magnitude of the one during the 1930s.²⁵ So, in order to be able to translate private self-interest into optimal social outcomes what was necessary was a new strong agency from the state. In this new vision of the three 'pillars' of the liberal discourse, *markets* should only be understood as good servants, but bad masters of economy life; *knowledge* had the crucial task to help engineer the new agency from the state; and *freedom* would only be meaningful if it embraced social justice (otherwise, it would mostly be empty rhetoric).

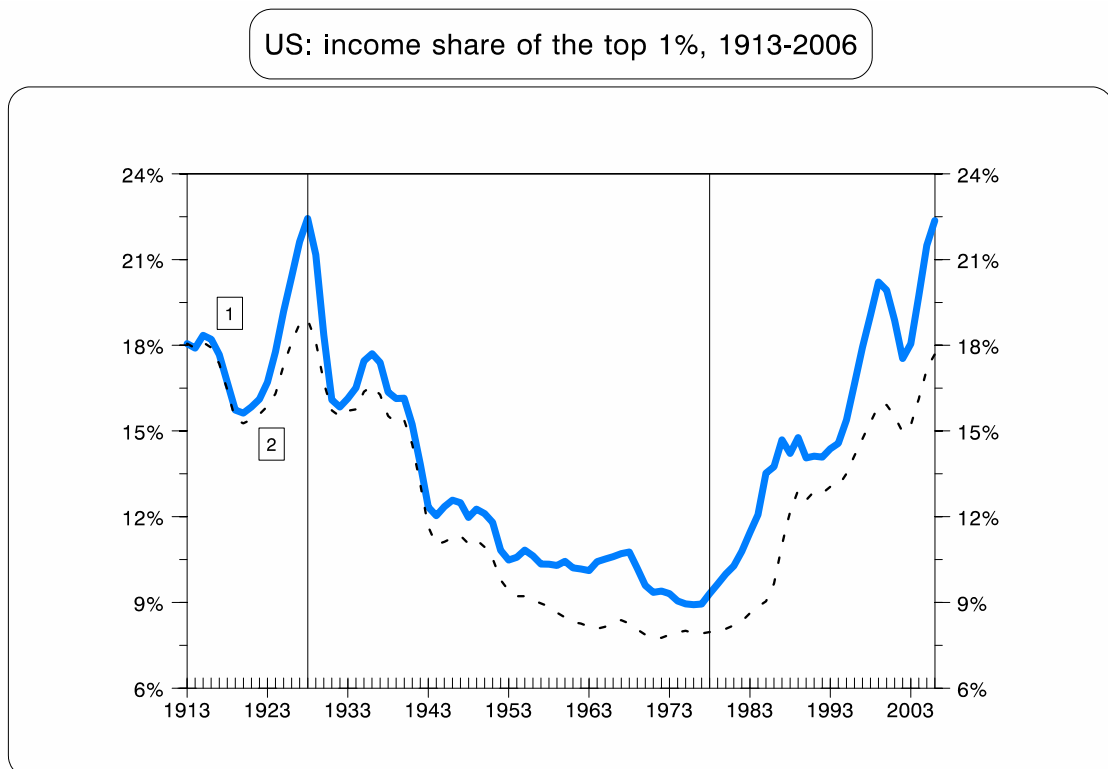
²⁴ According to Phyllis Deane, "[t]he iconoclastic conclusion of [Keynes'] analysis was that there was no invisible hand translating private self-interests into social benefit. This was the nub of the Keynesian heresy" (1980: 182).

²⁵ Or, of course, the current 'sub-prime' one.

Neo-liberalism, instead, is a different discursive story altogether – and one that certainly does not bring this long line of progressive liberal thinking forward but massively backwards. Although it is not possible to make a comprehensive analysis of this new ideology here, from the perspective of this paper the key initial characteristic of neo-liberalism is that it emerged in opposition (in the form of an undertow) to the Keynesian consensus of the ‘Golden Age’. In fact, and as opposed to what is often argued, its initial concern with ‘prudent-macroeconomics-cum-smaller-states’ (successfully framed within the “politics of resentment”) during the stagflation of the 1970s was just a tactical discursive strategy. What the neo-liberal ‘counter-revolution’ was really about was capital attempting to regain its power and control through a more refined form of legitimisation and a more advanced technology of power. That is, it was a sophisticated exercise by the “angry right” in restoration of class power.

Perhaps the simplest way to illustrate statistically the remarkable success of this enterprise is by showing what happened to the share of income of the top 1% in the US (see Figure 1).

FIGURE 1



• **[1]** = including realized capital gains; and **[2]** = excluding capital gains. 3-year moving averages.

- **Source:** Piketty and Sáez (2003).²⁶ Data have been updated to 2006 in <http://elsa.berkeley.edu/~saez/TabFig2006.xls>. In [1] taxpayers are ranked by gross income including capital gains; and in [2] they are ranked excluding capital gains.²⁷

As is evident from Figure 1, the fortunes of the richest one percent (of tax units) in the US took a rather remarkable twist after the appointment of Paul Volker to the Fed in 1979 and the election of Reagan a year later: including realised capital gains, their share in national income increased from 8.9% to 22.8% between then and 2006 – or from 8% to 18% if capital gains are excluded.²⁸ A similar scenario is found in the UK after the election of Mrs. Thatcher in 1979 (see Atkinson, 2007).

In fact, by 2006 the share of the top one percent in the US had already returned to its pre-1929 level, reversing in a short period the entire previous 50-years of relatively steady decline.²⁹ Figure 2 indicates that this was possible because the key characteristic of the distributive outcome of the neo-liberal ‘counter-revolution’ is its “winner-takes-all” nature (see Figure 2).³⁰

²⁶ Computations by authors on tax return statistics. Income defined as annual *gross* income reported on tax returns excluding all government transfers (such as social security, unemployment benefits, welfare payments, etc.), and before individual income taxes and employees' payroll taxes (but after employers' payroll taxes and corporate income taxes). Gross income includes all the income items reported on tax returns (and before all deductions); these are salaries and wages, small business and farm income, partnership and fiduciary income, dividends, interest, rents, royalties, and other small items reported as ‘other income’.

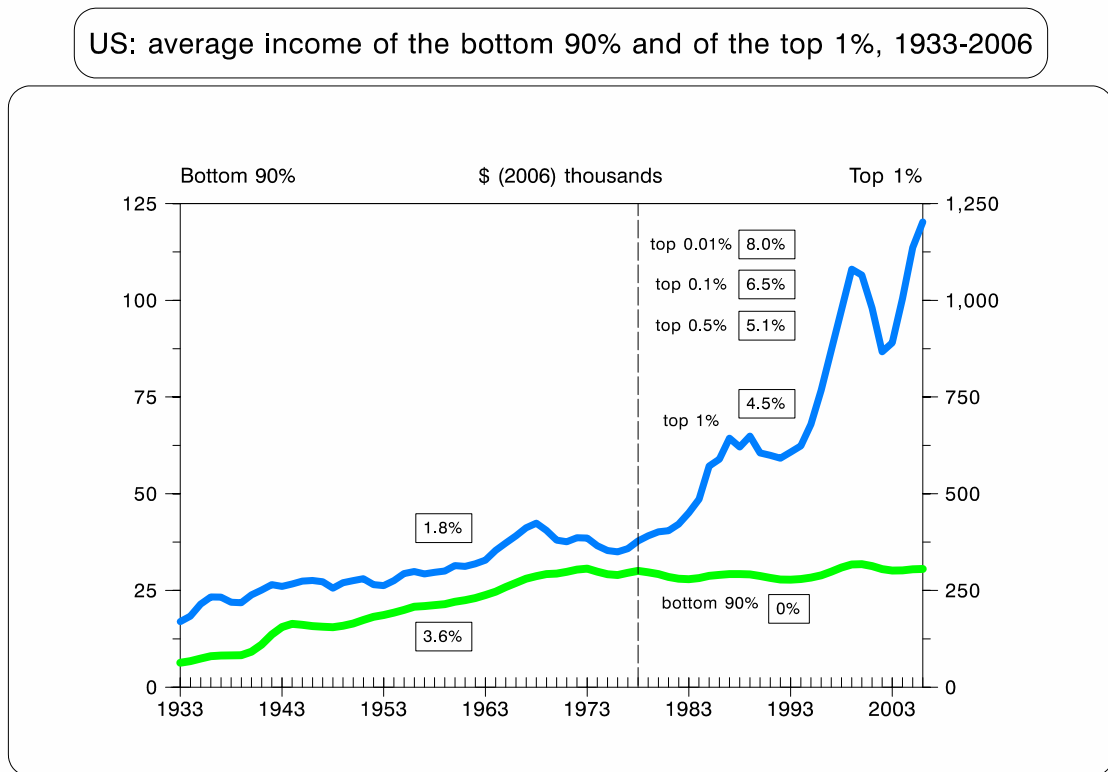
²⁷ As the authors explain, realized capital gains are not an annual flow of income (in general, capital gains are realized by individuals in a lumpy way only once in a while) and form a volatile component of income with large aggregate variations from year to year depending on such things as asset prices.

²⁸ In turn, including capital gains, the share of the richest 0.5% increased from 6.2% to 18.6%; that of the top 0.1% grew from 2.7% to 12.6%; and that of the 0.01% jumped from 0.9% to 5.5%, respectively.

²⁹ As this data is based on income tax statistics, it is likely that it even underestimate (perhaps significantly) the increase in income share of the top one percent after 1980, as financial liberalisation has made it much easier for this income group to evade taxes.

³⁰ The same “winner-takes-all-type distribution” is found in the South, especially in LA; see Palma (2007).

FIGURE 2



- Percentages shown in the graph are average annual real rates of growth in respective periods (1933-78 and 1978-06). 3-year moving averages.
- **Source:** as in Figure 1 (includes capital gains).

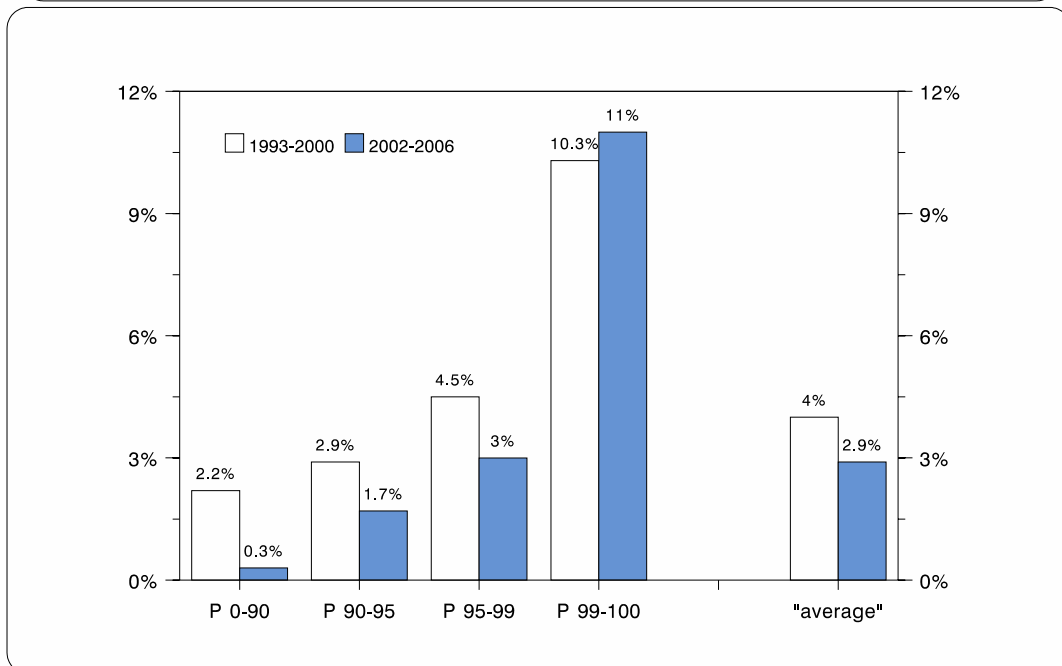
According to the source, while the average income of the bottom 90% remained stagnant between 1978 and 2006, that of the top 1% jumped 3.4-fold (and 4-fold in the case of the top 0.5%, almost 6-fold in that of the top 0.1%, and 8.5-fold in the case of the top 0.01%).³¹ What a difference with the previous 45-year period of 'liberal-Keynesianism', when the average income of the bottom 90% grew twice as fast as that of the top 1%!

In fact, according to this source, during the 7-year period of economic expansion of the Clinton's administration (1993-2000), and the 4-year period of expansion of the Bush's one (2002-06) "average" real family incomes grew by 4% and 2.9% annually, respectively; however, that average is made of rather different components (see Figure 3).

³¹ It does not seem to be much evidence in the US to support a 'median voter' scenario since the late 1970s; nor has a strategy of this kind proved to be a 'Nash equilibrium'!

FIGURE 3

US: average income growth by income groups, 1993-2000 and 2002-2006



- **P** = percentiles.
- **Source**: as in Figure 1 (includes capital gains).

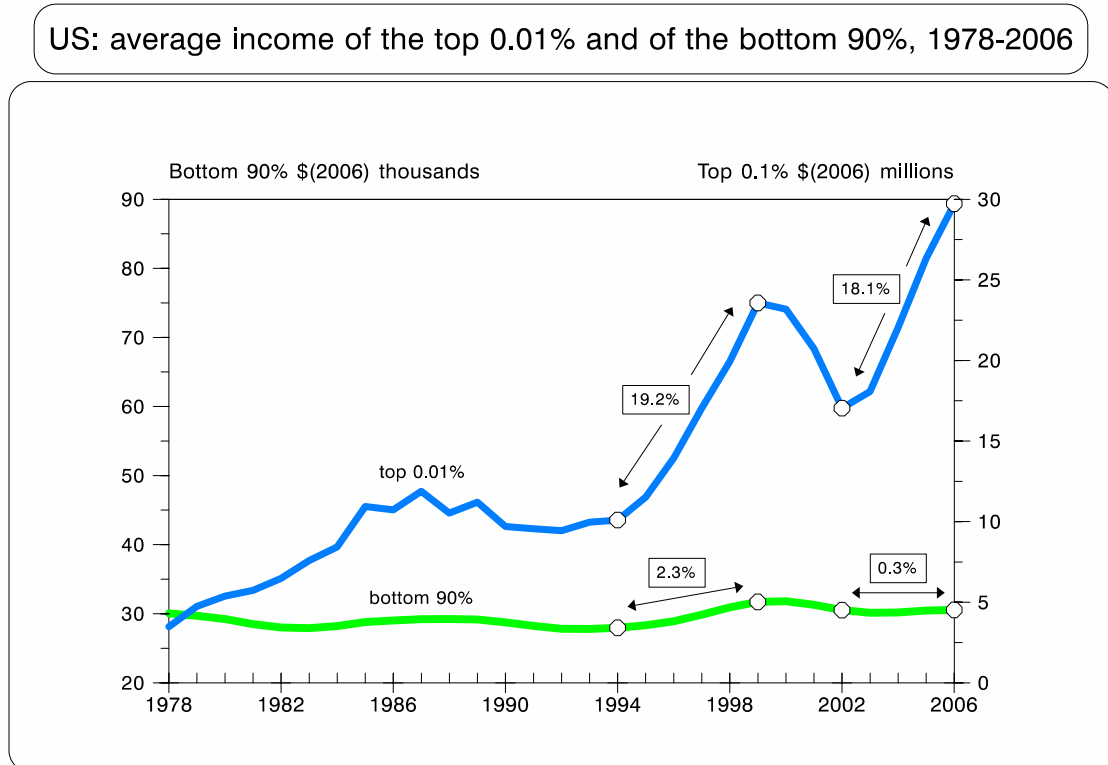
In fact, according to this source, during the 7-year period of economic expansion of the Clinton's administration the top 1% of income earners (about 1.4 million families) captured 45% of the total growth in income, while during the 4-year period of expansion of the Bush's one no less than 73% of total income growth accrued to the top 1%.³² Perhaps neo-liberalism is just shorthand for "the art of getting away with such a remarkably asymmetric distributional outcome within a democracy!"³³

³² This distributive outcomes also helps us understand the difference between neo-liberalism Republican-style, and neo-liberalism 'progressive' Democrat-style! While during the Bush expansion nearly three-quarters of total income growth was captured by the top 1% of income earners, during the 7-year period of Clinton's expansion "only" 45% of total income growth accrued to the top 1%.

³³ The new process of legitimisation of capital has been so successful that the new distributional outcome seems to be accepted by most people as "natural"; as Piketty and Sáez remarks, "[e]ven though top salary shares may have reached today levels higher than ever before in the American history, a public outcry against these high inequality levels does not seem perceptible for the time being" (2001: 29-30).

Figure 4 shows how the contrast between the fortunes of the great majority and that of the lucky few gets even more extreme when the comparison is made with the very few at very top of the income distribution.

FIGURE 4



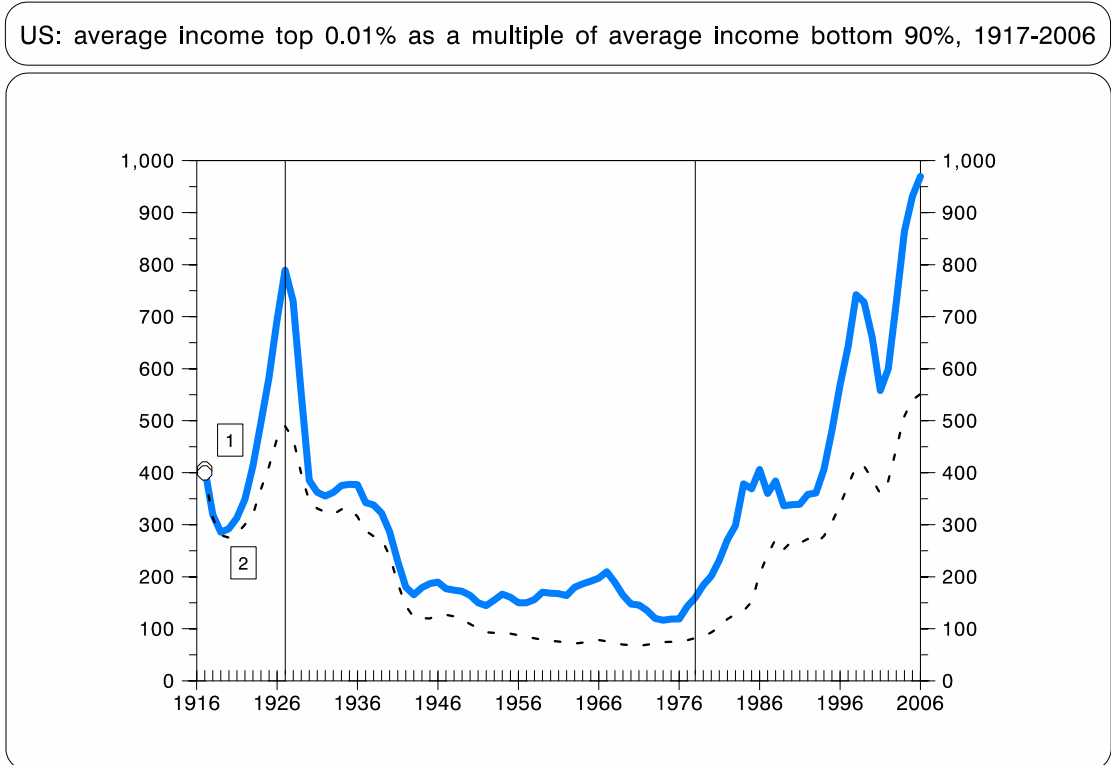
- Percentages shown in the graph are average annual real rates of growth in respective periods (1994-2000 and 2002-2006). 3-year moving averages.
- **Source:** as in Figure 1 (includes capital gains).

While the average income of 122 million families remained roughly stagnant during this 28-year period, 0.01% of the total had their average income multiplied 8.5-times – including periods in which their income grew at no less than 19.2% (the six last years of the Clinton administration) and 18,1% (four of the years of Bush’s one). No such luck for the bottom 90% that during these respective periods had their average income grew by only 2.3% and 0.3%. That is (very roughly, and in dollars of 2006 value) from 1978 to 2006 the gap between the average income of these two groups of families jumps from a difference between \$30 thousand and \$3 million to one of between \$30 thousand and \$30 million.³⁴

³⁴ If capital gains are excluded, this multiple increases by a factor of 8.1. If instead of the top 0.01%, the comparison is made between the average income of the top 1% and that

Figure 5 shows the contrasting fortunes of these two groups of families in the long run, where the disparity between the pre-1980 'Keynesian-liberal' period and the subsequent neo-liberal one becomes even clearer.

FIGURE 5



- **[1]** = including capital gains; and **[2]** = excluding capital gains. 3-year moving averages.
- **Source:** as in Figure 1 (data available only from 1917).

Including realised capital gains, and after a long period of decline, this multiple shoots up in a way that 'defies gravity' – from its lowest point in the 1970s to its peak in 2006 it jumps from 115 to 970. In sum, if before the neo-liberal 'counter-revolution' the "American Dream" seemed to have permeated to the majority of the US population, since then it has been highjacked by a rather tiny minority. Let's attempt to deconstruct the "art" of achieving this within a democracy.

of the bottom 90%, during this period the respective multiple augments from 12 to 41.

5.2.- *How to achieve the new legitimisation of capital and how to develop the required technologies of power*

A crucial mechanism to set in motion this remarkably successful political exercise in restoration of class power was rather ingenious: the reintroduction of risk and the heightening of uncertainty at the heart of a by then too self-confident 'welfarised' population and a too autonomous state.³⁵ In fact, it could be said that the neo-liberal 'counter-revolution' was really about a deliberate attempt to shift the economy (and much else) from 'stable' to 'unstable' equilibria; that is, a movement away from Keynesian attempts to manage risk and reduce uncertainty via national and international policy coordination, closed capital accounts, stable exchange rates, low and stable interest rates, low levels of unemployment and unemployment benefits for those out of work, national health services and the other aspects of the welfare state, and a state autonomous enough to be capable of some 'disciplining' of the capitalist elite, towards an intended movement in reverse.

And this is not just about neo-liberalism wanting to promote an environment propitious to its preferred 'trial and error' variant of individualism (supposedly, only in a risk-prone environment do the truly fittest survive), or capital trying to create new business opportunities (such as developing new profitable forms of hedging increased risk). It is mostly about neo-liberalism trying to do this as a means to an end: trying to develop an environment in which capital could regain its legitimacy and could rule via more sophisticated technologies of power.

In essence, capital could only regain the upper hand if the economic environment was switched to one that was permanently unstable and highly insecure; one which could have the necessary debilitating effect on workers and the state. In this kind of environment, a highly mobile and malleable factor of production has an unrivalled power to thrive. In short, when 'excessive' Keynesian macro-stabilities, labour-securities and social safety nets laid the grounds for a significant challenge to the legitimacy of capital, what capital urgently needed was the reintroduction of risk and the spiralling of uncertainty right into the soul of what were by then rather too self-assured 'welfarised' institutions and population. So what was needed was a return to an environment

³⁵ Neo-liberals seem to have been the only political group who really understood Kalecki's main message in his 1943 article on the 'Political aspects of full employment': capitalism just cannot endure the political consequences of sustained periods of full employment!

in which the state had to live permanently under the logic of a 'state of emergency', and a return to precarious jobs, higher levels of unemployment, highly-constrained unions, increasingly porous safety-nets, insufficient and insecure pensions and so on – huge levels of persecutory personal debt, of course, could also be of great help. The bottom line was how to reconstruct an economic and institutional scenario in which everybody knew that capital could pull the plug whenever it wanted to.

In DCs capital was even more in need of a new and more sophisticated form of legitimacy, and a new and more refined technology of power: in a post-Cold-War scenario, just a Pinochet or two would not do anymore!

As Tony Lawson has argued, "[...] a central and great Darwinian insight is that a subset of members of a population may come to flourish relative to other members simply because they possess a feature, which others do not, that renders them relatively suited to some local environment. The question of the intrinsic worth of those who flourish most is not relevant to the story" (Lawson, 2003: 251). Natural selection mechanisms of this sort are crucial to understanding what neo-liberalism is really about: it is about deliberately creating the economic environment most suited to those features that capital has and others do not – in the jungle, capital is king! The neo-liberal discourse may be apparently about promoting 'order' based on freedom, individual initiative and sound macroeconomics, and about fighting paternalism. But what it is really about is promoting a special type of 'disorder' (always close to the edge – i.e., to potential chaos) that can help legitimise the supremacy of capital, as in this high-risk and unstable disorder only it can thrive.

The paradox in this is that this new environment increases the likelihood that capitalism would be even more crisis-ridden from within. That is, the wide-ranging trade and financial liberalisation policies at a global level and those of liberalization, privatization and deregulation at a local one favoured by neo-liberalism have driven the self-destructive tendencies of capital to their extreme. But as in this new environment the downturns are just too horrifying even to contemplate, when instability gets out of hand and becomes dysfunctional, capital, as in every good old Western, can always count on the state to call in the cavalry in the nick of time.³⁶

³⁶ As has become evident in the current 'sub-prime' financial crisis, when in the business cycle the down-swing is too steep, the Washington Consensus also tells us (but very quietly) that we should all be "closet Keynesians" and not allow market discipline to run its

Furthermore, according to Foucault there is an additional characteristic of neo-liberalism that is crucial to the understanding of the issues discussed in this paper. Once capital has regained its legitimacy, as part of the new technology of power neo-liberalism also turns into a discursive strategy for a new form of governance; i.e., a new form of interaction between political power and the dynamics of unregulated markets.³⁷ An important component of this is (yet again) the reversal of the Keynesian logic of this interaction, in which one of the principal roles of the state was to contain the rent-seeking practices of oligopolistic capital for the sake of competition – capitalism without competition is probably as efficient as Communism without workers control over the bureaucracy! In the neo-liberal paradigm, instead, a fundamental role for the state is one of a *facilitator* of the rent-seeking practices of big business. The irony is that both Keynesian-liberalism and neo-liberalism seek a similar strong agency from the state; however, there is a very different aim for that agency! In fact, in neo-liberal governance the role of the state goes beyond that of a 'facilitator' to become a fully comprehensive attempt to project the logic of unregulated markets into the heart of the whole of government (see Foucault, 2004).

Although for all liberal perspectives markets are a superior form of social organisation, according to Foucault there are crucial differences between a classical liberal and a neo-liberal understanding of markets. For the former, markets are a 'quasi-natural' reality (whose laws have to be respected by the state), while for the latter markets are historical constructions that must be constantly supported by a strong political agency of active governance. Accordingly, for classical liberalism the state and markets each have a space, different from each other. For neo-liberalism, instead, the distinction between the space of the state and that of markets disappears; so, the state (and everything else) should be mapped out as a function (or as a sub-set) of the logic of unregulated markets.

This view, of course, is not only different from that of classical liberalism, but is also the opposite of the Keynesian-style liberal understanding of the role of the state, in which the autonomy of the state is the most critical governance issue; this autonomy is essential for the state to be able to improve upon the inevitable sub-optimal equilibria brought about by unregulated markets (and market failures), and for the state to protect society from the excesses of 'free' markets. For neo-

full course – i.e., as far as financial capital is concerned, governments should never let the chips fall where they may.

³⁷ For an analysis of this issue, see especially Frangie (2008); supervisors often learn more from their Ph D students than the other way round!

liberals, instead, market failures are not innate to the logic of capital but have a purely contingent historical nature. As such, the market economy is 'open' and should be facilitated through politico-institutional agency. So, for neo-liberals the key governance issue is how to reformulate the political and the social in a way that is harmonic to the rationality of markets; therefore, the fundamental role of government is how to construct a wide-ranging institutional framework that can support (rather than regulate) the workings of 'free' markets.³⁸ As Foucault says, according to neo-liberalism what is needed is "[a] state under the surveillance of the market, rather than a market under the surveillance of the state" (2004: 120).³⁹

From this perspective, if for Smith and the Enlightenment the fundamental issue was that human beings can look after their own interests without the need of a King or a Church to tell them what to do, for (neo-feudal?) neo-liberals oligopolistic capital are now the new King and the new Church that tell people and the state what to do.

Finally, in LA (and many other DCs, including South Africa) the new process of legitimisation of capital has been so remarkably successful that neo-liberalism has turned the tables on progressive forces and has become ('low-intensity') liberal-democracy's best friend! Before the neo-liberal 'restoration', in DCs capital always saw democracy as its main threat. Now, following the success of its new form of legitimisation – and helped by the remarkably precarious life of most of the working population, and the weakness of a state mostly reduced to a 'fire-fighting' role (having to live constantly under the logic of 'state of emergency') – 'low-intensity' democracy (as opposed to 'popular' or 'radical' democracy) has become a crucial component of capital's new technology of power to rule over the working population, and to restrain the state and to subject it to greater market accountability. From this perspective (including, of course, that of the *good governance* agenda of the World Bank) the 'de-politisation' of the state, the 'independence' of crucial government institutions such as central banks, the

³⁸ So, for example, Bush asks polluters to write environmental regulation. And when 'New Labour' Gordon Brown (as newly appointed Chancellor of the Exchequer) creates in 1997 a new regulatory body for the financial industry (the Financial Service Authority - FSA), he sets it not only as an "independent non-governmental body" (i.e., a company limited by guarantee), but one that is actually financed by the financial services industry; furthermore, he appoints ex-bankers as Chairman and as Chief Executive Officer. That is, he sets the FSA as operationally independent of Government, funded entirely by the corporations it is supposed to regulate, and led by financial-industry insiders. As became evident after the sub-prime crisis, the FSA had been acting more as a 'service provider' to the financial industry than as an industry regulator.

³⁹ See especially Frangie (2008, chapter 4).

calls for increased 'transparency', 'accountability' and so on are not just the bases for building a weak state, but form a comprehensive attempt at limiting, disciplining and controlling the state.⁴⁰ And as long as the new process of legitimisation of capital continues to be so successful – and the life of most of the working population so precarious, and the state so caught up in its 'fire-fighting' role – democracy becomes an effective institutional structure to achieve this and map the whole of the state actions on the will of the capitalist elite.

So, for example, 'low-intensity' democracy becomes an effective instrument to block any attempt to implement a progressive nationalist development agenda, or the exercise of a Keynesian or of more radical forms of state agency; it also becomes a valuable insurance against any significant challenge to the rent-seeking practices of big business, or the facing up to the new forms of 'neo-colonial' attempts at country-subordination.

In sum, democracy becomes part of a neo-liberal discursive strategy to guarantee that the exercise of state power will not deviate from the requirements of unregulated markets. In this respect, for oligopolistic capital low-intensity liberal-democracy replaces the role of military regimes as an effective hedge against the risk that a new political elite (including, of course, the 'new-left') might come to power and threaten their neo-liberal brand of rent-based capitalism. That is, the new 'democratic' agenda of capital ensures that the state will fulfil its sole function of reproducing the new capitalist system, and in no way could become a threat to the (ineffective) functioning of unregulated markets, or a form of control of some of its most detrimental tendencies.

In terms of Marxian debates, in neo-liberalism capital-style democracy becomes a 'Poulantzas-type' strategy (as opposed to a Miliband 'social-network' one) in the sense of providing a *structural mechanism* to ensure that state actions (including economic policies) will not deviate from their goal of promoting unregulated market, *irrespective of which ruling elite is in power*.⁴¹ In fact, in the new framework even the legitimacy of the state becomes linked to the effectiveness to which it adheres to the logic of unregulated markets.

While for the older right-wing orthodoxy democracy could only follow economic development (which eventually could provide the material bases for its

⁴⁰ To state of obvious, the aim is not to make the state transparent and accountable to all sectors of society, but only to the one that counts!

⁴¹ For an overview of the Poulantzas-Miliband debate on the mechanisms by which capital can control of the state, see Barrow (2002) and Held (1989).

existence), for the new neo-liberal orthodoxy democracy became an effective *facilitator* of unregulated market and stable property rights – the sole mechanisms supposedly able to deliver economic development in the first place. That is, if for Lal a “courageous, ruthless and perhaps undemocratic government is required to ride roughshod over newly created interest groups” (1983: 33), the publication of the first World Bank report on governance in 1989 (the year of the fall of the Berlin Wall) illustrates the shift in this old-fashion perception of democracy as a pre-requisite of economic development. So, after a first stage aiming just at the ‘downsizing’ of the state, at the end of the 1980s the Washington Consensus entered a second stage of ‘good governance’ aimed at ‘rightsizing’ the state, or matching its interventions to its capabilities to facilitate unregulated markets.⁴² The chronology of this metamorphosis is analyzed by Przeworski and Limongi (1993); reviewing the literature regarding the relationships between regime types and economic performance, they found that eight out of the eleven studies published before 1988 concluded that authoritarianism is conducive to economic development, while none of the nine studies published after this date reached this conclusion. So, “[s]ince this difference does not seem to be attributable to samples or periods, one can only wonder about the relation between statistics and ideology” (1993: 60; quoted in Frangie, 2008: 33).

5.3.- *Critical thinking after the Berlin Wall*

Regarding critical thinking and the emergence of neo-liberalism, when different left-wing ideologies hit a (falling) wall in Europe critical thinkers followed three different paths: some attempted to reconstruct their critical discourse of capitalism while retaining ‘the economy’ as the fundamental site of the struggle; others, instead, decided simply ‘to disembark’ and endorse capitalism in full. However, there was a third current which began to ignore capitalism and the economy as their ‘central problems’, but still tried to continue thinking critically on other fronts. That is, one group of critical thinkers attempted to reconstruct their radical critique of capitalism while trying to continue along the lines of what Einstein (following Veblen) called the ‘real purpose of socialism’, namely “[...] to overcome and advance beyond the predatory phase of human development” (1949: 23). Another group, instead, took events in Eastern Europe and the rise of neo-liberalism everywhere as a proof of the defeat of their economic and

⁴² For an analysis of this second stage of the Washington Consensus, see Fine (2006).

political beliefs and (under many disguises, including the "Third Way") simply joined the neo-liberal mould. Finally, another group shifted their analytical focus from 'the economy' to other issues such as gender identity, radical democracy, and so on; i.e., while conceding defeat in the economic sphere, they were still able to continue to be organically attached to critical thinking in other fields. Although in these new critical traditions 'the economy' disappeared as the fundamental ideological challenge, at least critical thinking could continue.

However, it seems that in LA this last option (switching to critical thinking in other fronts) was not really available. That is, when the idea of the *unremitting critique of the economy* within dependency analyses got stuck, those in LA who wanted to follow the third option discussed above (because their intellectual tradition had been based almost exclusively on an *economicist* critique of capitalism), found it almost impossible to shift to other critical discourses in an organic way. Basically, after the return to democracy the left that wanted to abandon 'the economy' as the fundamental site of the struggle, but still continue to think critically, found it very difficult to do so as it seems to have felt that it had lost not just some but *all* its progressive relevance.⁴³ So, in LA a much larger majority of the left simply ended up joining (at different pace, and with different disguises) the neo-liberal mould.⁴⁴ And those few who tried to resist the neo-liberal tsunami by reconstructing their critique of capitalism have not been able to generate a new tradition of critical thought (and by now are beginning to resemble an endangered species).

Thus, more than anywhere else, in LA mainstream socialism has mutated into an ideology that by always prioritising contingency over necessity, by exchanging pragmatism for opportunism, has ended up seeing nothingness behind contingent-reality. Not surprisingly, the new left in LA has substituted critical thinking for anything sounding *modern*. That is, "newness" has become

⁴³ In the Arab world, for example, *secularism* and the Palestinian issue helped maintain the progressive relevance of the left that wanted to *concede the economy* but still continue to think critically (see Frangie, 2008).

⁴⁴ Harberger, the father of the 'Chicago-boys', likes to say that the only thing that happened in LA is that "the left finally learnt economics". In the unlikely scenario that that was all there was to it, it still needs to be explained why they learnt the neo-liberal understanding of the role of the state, rather than the Keynesian one; the Friedman idealisation of unregulated markets, rather than the Krugman and Stiglitz understanding of a market economy; the 'liberalise, privatise, deregulate and flexibilise anything-that-moves' variety of development economics, rather than the Hirschman and Kaldor one; or the 'Efficient Market Hypothesis' understanding of financial markets (i.e., "the financial market always prices correctly every security"-type, including, of course, sub-prime mortgages), rather than the ideas of Keynes, Minsky and Kindleberger, and so on.

the best disguise for their ideological 'U-turn' – in fact, it would not be an exaggeration to say that in terms of economics the "modernisation" of the new left discourse could be summarised as simply transforming almost anything previously considered as 'virtue' into 'vice', and vice-versa.⁴⁵ Thus, what supposedly defines a mainstream socialist today ended up having a *check-the-box* quality to it, such as being *pro-poor*, *pro*-a bit more gender equality, *pro*-renewable energy resources, *pro*-good manners towards indigenous populations and so on.⁴⁶ That is, anything 'ahead of the curve' would do as a *raison d'être* for an up-to-the-minute, cool, *avant-garde*, forward-looking, *pop socialist* ideology; provided, of course, that it is mostly empty rhetoric, that it excludes anything that would challenge the new legitimacy of capital and the neo-liberal understanding of capitalism, that it would be irrelevant to power, or would require any form of proper critical thinking.⁴⁷

However, my contention here is not just that my *neo-comrades* have become neo-liberals simply in view of the remarkable degree to which they have transformed their ideology. Basically, and more importantly, what most characterises my *neo-comrades* in political terms, and the main reason why they have become neo-liberals, is that their new check-the-box *pop socialist* ideology is just a disguise for having gladly accepted to help capital engineer its new form of legitimisation and develop its more sophisticated technology of power. In LA, the new political settlement that the 'new left' has happily accepted can be summarised in the following way: if they succeed in taming the dangerous classes into not defying the current heightened-risk logic of accumulation of the capitalist elite, they will be able to gain office to develop a relatively effective *solidarity state*, with the necessary resources to deal (at least partially) with those that become redundant to that logic of accumulation. That is, as Adorno once said, domination is more effective if "[it] delegates the [...] violence on which it rests to the dominated" (1951: 182).

Thus, the region's oligarchy has been able to regain a degree of political and ideological hegemonic control not seen in the region since before the First World War, while the *managerial left* has been able to make significant

⁴⁵ On the ideological transformation of the 'new left', see Sader (2005).

⁴⁶ In fact, why not also check the boxes of favouring macrobiotic diets, attacking-style football and post-modern art!

⁴⁷ And the few attempts that are made at supposedly critical thinking in non-economic fields have ended up being crude copies of the new European traditions in these areas; see, for example, Ominami (2008).

improvements in terms of extreme poverty reduction. In Chile, for example, half of the people who used to live below the poverty line are now above this important (albeit, for a high-middle income country, a remarkably unambitious) line; and in Brazil, through the "Bolsa Familia", 11 million families receive today on average a subsidy of about 50 dollars a month. However, what is also remarkable is how little these programmes of poverty reduction have cost, and how little else has been done to help continue improving the lot of those helped by these programmes.⁴⁸

If for the 'old right' the poor had previously been the *torturable* classes, the disposable *homo sacer* of Giorgio Agamben, for the 'new right' it has proved to be much more effective for its latest form of legitimisation and its more sophisticated technologies of power to go along the *managerial* left's new, more 'gentle' social perspective. In this "modern" social perspective, the poor, instead of playing their progressive historical role as the *proletariat*, are now reduced to a passive role of "*poor-letariat*." And what these *poor-letariats* need is help in the form of (market-friendly) insurances to hedge them against the most unacceptable risks of unsteady open economies with downwardly-flexible labour markets. That is, in the vision of my *neo-comrades* social justice has been metamorphosed into social charity, and the state into a solidarity-with-the-very-very-poor type of enterprise. Accordingly, workers have been transformed from *proletarius* into *pauper*, from *citizens* into *patients*. And, of course, *patients* are much more susceptible to pressures for clientelist political paybacks (see Arantes, 2007).

In fact, the neo-liberal left may on the surface appear just as the champions of safety-nets and institutional 'modernisations', but their political role is far more complex than that: they are the ones who have taken the responsibility to deliver the neo-liberal version of capitalism – one without excessive need for crude coercion – by engineering a *frictionless*-type of economy in which workers are kept on a tight rein, the capitalist elite is kept sweet (i.e., without having to struggle with "market compulsions"), and the masses that become redundant to the new logic of capitalist accumulation are kept at least partially hedged. Hence, when Cardoso was recently asked his opinion of Lula as

⁴⁸ In Brazil, for example, the whole "Bolsa Familia" subsidy described above had in 2007 a total annual cost of about 0.5% of GDP (see Fiori, 2008). And in Chile, in the unlikely event that *all* the proposals recently put forward by President Bachelet's *Commission of Work and Equity* were implemented, the total cost would also peak in 2015 at just about 0.5% of GDP.

president, his answer was brief and to the point: "He knows how to please the elite!" (Cardoso, 12/1/08).⁴⁹ At the same time, Lula's government, as those of the "Concertación" in Chile, are paraded by the World Bank the world over as *best practice* in poverty alleviation (see *The Economist*, 12/7/08). Being perfect magicians, no one but they are supposed to know the necessary tricks for making conflict evaporate, coercion conceal itself, and military regimes become obsolete.

In a sense, they have been remarkably successful. In Chile the "Concertación" is in its fourth successive government (and the second led by a member of Allende's Socialist party), and Lula was re-elected easily in 2006. However, they have failed in that they have greatly helped to make it so cosy for the rent-seeking practices of the capitalist elite that they may in fact be partly responsible for the poor economic performance of the region. In fact, if one compares the share of national income appropriated by the top ten percent with the share of private investment in GDP, LA appears now even more as an outlier: while in LA the income-share of the top decile is approximately *three* times the GDP-share of private investment (roughly 45% and 15%, respectively), in India and China this ratio is about 1.5, in Malaysia and Thailand it is only slightly above one, and in Korea, Taiwan and Singapore the two shares are actually approximately the same. Perhaps few have contributed as effectively as the *managerial* left to make this "discreet charm" of the Latin American bourgeoisie so remarkably unique!

Moreover, by being able to convince so many in LA that any progressive alternative agenda today is just a suicide pact maybe the 'new left' has actually become the most effective enemy of any true progressive struggle. In sum, it is not only that the 'new left' has become neo-liberal, it is also that it has become so in a *sub-prime*, uncritical way.

Now, for how long will the neo-liberal left be able to tame the dangerous classes? For how long will they be able to keep getting such a bang for the few bucks they give to the very poor? And for how long will they be able to keep subjective violence in check, while being the very agents of the structural violence that creates the conditions for this violence?⁵⁰

⁴⁹ Cardoso (Estado de São Paulo, 12/1/2008). A bit rich coming from a former President who in his first period in office bailed out private banks (with no questions asked) at the cost to the public sector of \$43 billion (see Palma, 2006).

⁵⁰ On this issue, see especially Žižek (2008).

You've really got to hand it to the Latin American capitalist elite. In the 1950s and 1960s they convinced the progressive forces of the region (all the way up to the communist parties) that there was nothing more 'anti-imperialist' than to provide them with vast rents via import-substituting industrialisation; and that these huge rents, as opposed to what was happening in East Asia at the time, should be given to them without any form of performance-related conditionality. And now, in the new century, their process of legitimisation has been so successful, and their new technologies of power so effective, that they have convinced the majority of the left not only of "TINA" ("there is no alternative"), and that "there is nothing left to decide" – and even less to think-critically – but that they actually deserve every privilege and reward (and, of course, any rent) that they can get. That is, that the new political settlement (best described by Gore Vidal as "socialism for the rich and capitalism for the rest") is the best of all worlds not just for them but for everybody else as well!

Conclusions

As has often been the case, what is happening in LA today could be straight out of a García Márquez novel: the dominant classes are quite happy to let the dominated ones govern, provided that they do not forget who they are! The idea is that this is a win-win situation: the capitalist elite is able to accumulate with a minimal need for coercion and little "market compulsions", the managerial left is able to develop a relatively effective 'solidarity' state, and military governments have become unnecessary. What is crucial here is that as the 'new left' believes that it cannot get political power to implement its own progressive agenda, it then tries to gain power to implement what Chico de Oliveira has called an "upside-down hegemony" (Oliveira, 2006).

Perhaps this is partly the result of a 'post-doomsday date' reaction to the fact that capitalism, far from of collapsing like a house of cards (as so often predicted in most 'dependency analyses'), gained instead a new and powerful lease of life. The failure of the post-Cuban-Revolution "all or nothing"-type political struggle probably also played a part – and as "all" was not possible, some ended up believing that maybe the only viable political alternative to "nothing" was an agenda of safety-nets!⁵¹

⁵¹ Some people still think that in Venezuela something else is supposed to be happening, but so far, there are more gesticulations than results (and a huge excess-supply of 'boligarchs') – this wasn't the way things were supposed to play out! For an analysis of

By now the new left does actually believe that 'collaboration' in trying to deliver capitalism with minimal 'friction', disguise coercion, a modern state administration, and decent safety-nets is as good as it can possibly get. Their ideological passions have been diluted into managerial routines. As some Brazilian sociologists have argued, it seems that LA has moved from the "Age of Extremes" into the "Age of Indistinction" between the 'new left' and the 'new right'. That is, the extremes have become indiscernible. People often say that in couples opposite poles often attract one another. Until now, this has rarely been the case with ideologies. And when two ideological poles are thinking alike, most likely only one is actually doing the thinking.⁵²

Perhaps the greatest sign of the intellectual 'amnesia' of the neo-liberal left in LA is to have forgotten that "[t]he ideas of the ruling class are in every epoch the ruling ideas; i.e., the class which is the ruling material force of society is at the same time its ruling intellectual force" (Marx and Engels, 1845). Manic managerial defences may be very useful for dealing temporarily with vital problems such as poverty alleviation and the modernisation of the state, but can hardly hope to become the ruling intellectual force of society. For example, it is no coincidence that these manic managerial defences have not led the neo-liberal left even into the temptation of questioning the 'conventional wisdom' that in the current globalised world there is no role for human agency in the regulation of market forces. That would certainly be trespassing into a territory that is simply taboo for the ruling ideas. In fact, As Chomsky has recently argued, "progressive" intellectuals are now the guardians at the gates of the orthodoxy.⁵³

An analogy with quantum mechanics could help to illustrate this point. Since its inception, the many counter-intuitive results of quantum mechanics have provoked strong philosophical debates – Einstein and many of the other greats seem particularly to have enjoyed this.⁵⁴ However, an influential school of

Venezuela, see DiJohn (2008).

⁵² Commenting on the intellectual poverty of the 'new left', Green states that in the São Paulo Forum "[participants] were dismayed by the lack of ideas and imagination shown by the politicians." (1996: 121).

⁵³ And acceptable ideologies are allowed to go as far as those gates, but not one millimetre further! And one of the reasons why it would be too dangerous to allow that is that the political establishment (including now the 'new-left'), is, on many major issues, well to the right of the majority of the population. That leads to a peculiar combination of political freedom with rigid ideologies. "There's a terrible fear that a slight deviation might lead to disaster. It's a typical totalitarian mentality. You have to control everything. If anything is out of control, it's a disaster." (<http://www.zmag.org/znet/viewArticle/18257>).

⁵⁴ For example, in his autobiography John Wheeler writes that the existence of black holes "teaches us that space can be crumpled like a piece of paper into an infinitesimal dot, that

thought within the subject argues that physicists should just get on with their work and not waste time with metaphysical issues; so they call themselves the 'shut-up and calculate' school. When discussing the issues analysed in this paper with my managerial *neo-comrades*, their usual response could best be summarised as 'shut up and do something useful'!

Of course, there is a 'real' world down there, and the radical left is certainly not known for its capacity to construct practical alternatives. But why did the managerial left have to move all the way to a 'sub-prime' neo-liberal understanding of the world in order to be able to construct a 'practical' alternative? If the managerial left in LA was willing to concede the economy as the fundamental hub of the struggle, why were they not even able to construct a 'practical' alternative which at least contained a more liberal-progressive Keynesian understanding of economic life, and a more radical-democratic understanding of political life?⁵⁵ Why were they so desperately keen to concede the economy, the terms of the debate, and almost everything else? Why when events moved in the wrong direction did they lose the capacity to hold basic ideological principles in their minds in a thoughtful way? And why do they have to look at the past with such contempt?⁵⁶

What we have today in LA is the combination of an insatiable capitalist elite, passive citizens, and a stalled social imagination. One could add that we also have a bunch of 'neo-comrades' who are rather pleased with themselves. Only a few 'critical doctrinaires' whine – particularly from their comfortable tenured positions in universities far away! Why can't these "anticapitalistas trasnochados" (stale anti-capitalists) understand that life is so much simpler when one succeeds in transforming "delving deeply into the surface of things" into an art form? What is so wrong with making it one's basic tenet never to let one's ideology venture beyond ideas that can be googled?

time can be extinguished like a blown-out flame, and that the laws of physics that we regard as 'sacred', as immutable, are anything but." (2000)

⁵⁵ Despite many promises of a 'radical democratic project' and 'open government', the new left when in power has been quite happy to continue with a low-intensity clientelist form of democracy. In Chile, for example, after two decades of centre-left governments, the electoral law left by Pinochet is still making it *de facto* impossible for the Communist Party and other left-wing groups to get any representation in Parliament – it seems that the 'new left', like any large corporation, only likes oligopolistic forms of competition!

⁵⁶ The head of Brazil's Central Bank described President Cardoso's agenda as "[having] to undo forty years of stupidity" (*Veja* 15/11/96). For him, the fact that Brazil's previous 'stupid' development strategy had prior to 1980 delivered one of the fastest growth-rates in the world was probably a mere detail of history.

Perhaps what is happening in LA in this respect can be better explained (as Arantes does) by restating Adorno. For Adorno “[i]ntelligence is a moral category” (1951: 197); maybe there are times when a lack of critical thinking can also turn into a ‘moral category’. In fact, for Arantes what has happened in LA is even worse: for him, LA shows that ‘stupidity’ can also become a moral category (2007).⁵⁷

In short, is Lula right when he suggests that the emergence of the ‘new left’ in Brazil is just “[a] positive sign in the evolution of the human species,” or is Francisco de Oliveira right when he claims that the ‘new left’ (and so much more) in Brazil (and in the rest of LA) is like the platypus, a creature that violates evolutionary theories and yet still exists, and is likely to continue, despite the fact that it is at an evolutionary dead-end?⁵⁸

When Keynes said, “[p]eople usually prefer to fail through conventional means rather than to succeed through unconventional ones”, he could not have guessed just how accurately his remarks would define ‘new-left’ governments in office in LA today. However, the intellectual poverty (and ideological ‘self-satisfaction’) of the neo-liberal left is unlikely to lead to its political ‘death’ (as many have predicted). In fact, what is likely to happen is almost the opposite, as this very poverty is what makes it so functional to the current system of domination and control.

Oscar Wilde famously said that “America is the only country that went from barbarism to decadence without civilization in between.” Maybe now it is LA’s turn to move from the barbarism of the military regimes straight into its current ideological ‘neo-decadence’ without much civilization in between.

In 1915, Freud summarised his views on the effects of the outbreak of the First World War with the following statement:

“We cannot but feel that no event has ever destroyed so much that is precious in the common possessions of humanity, confused so many of the clearest intelligences, or so thoroughly debased what is highest.” (1915: 274)

I do not think it would be an exaggeration to say that no other event in peacetime LA has had such similar effects – especially in terms of confusing so

⁵⁷ This reminds us of what Einstein once said: “Two things are infinite: the universe and human stupidity; and I’m not sure about the universe”. President Cardoso once described his Head of the Central Bank (quoted twice above) as Brazil’s Copernicus...

⁵⁸ For Lula’s speech, see above quote in FOLHAONLINE (2/508); and for Oliveira, see (2003). The platypus is a semi-aquatic mammal found in eastern Australia that still lays eggs.

many of its clearest intelligences – as the advent of an all-powerful and tyrannical neo-liberalism, with the same remarkable capabilities for heightening risk and insecurity for the majority of the population, as for generating personal and political rent-seeking opportunities for political leaders of the left (and those on their 'intellectual periphery') who are prepared to acquiesce.

What happened in LA after 1980 shows (yet again) that intellectuals, especially when working without a proper social and political base, can be fickle and can easily turn to the next set of fashionable beliefs on their horizon to continue their business of providing a world-view and a theoretical legitimacy to it.

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