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since 1950.

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'uncomfortable uncertainties' in sight

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Abstract: Latin America is a region whose critical social imagination has stalled, changing from a uniquely prolific period during the 1950s and 1960s — revolving around structuralism, 'dependency', Baran and Sweezy-type analysis of 'monopoly capitalism', French structuralism, the German Historical School, Keynesian and Post-Keynesian macroeconomics, and the ideas of endogenous intellectuals (such as Mariátegui) — to an intellectually barren one since the 1982 debt-crisis and the fall of the Berlin Wall. Although this has happened in most of the world, the downswing of the cycle of critical thinking and the process of re-legitimation of capital have been more pronounced in Latin America, as neo-liberalism has conquered the region, including most of its progressive intelligentsia, just as completely (and just as fiercely) as the Holy Inquisition conquered Spain — transforming critical thinkers into an endangered species. A key problem of the pre-1980 critical social imagination had been its unremitting critique of the economy; consequently, once the 'new left' conceded the economy as the fundamental hub of the struggle, there seemed to have been little else left in terms of basic ideological principles to hold onto in a thoughtful way. It was as if 'progressive' thinking had lost not just some but all its relevance — making it very difficult to move forward ideologically in a creative way. As a result, in terms of development strategies and economic policies both the 'old' and the 'new' left are still mostly stuck in the past: while the former (as in Venezuela) tries to recreate somewhat mechanically what it perceives to be 'the best of the past', the latter (except for their policies on social expenditure) attempts to create a future which is fundamentally *the exact opposite* of that past (e.g., the 'new-left' in Brazil and Chile) — and in order to do so, it seems to have only one guiding economic policy principle: to transform practically everything that before was considered "virtue" into a "vice", and "vice" into a "virtue". Not surprisingly, neither approach has been very successful; in the case of the latter, their remarkably narrow 'reverse-gear' attitude has delivered not only a disappointing economic performance (especially in terms of productivity-growth), but also a political settlement characterised by a rather odd mixture of an insatiable oligarchy, a captured 'progressive' political élite (the dominant classes are quite happy to let them govern as long as they don't forget who they are), 'sterilised' governments, passive citizens, and a stalled social imagination — all made more palatable for the poor by an agenda of safety-nets. From time to time, this dull *mélange* is sparked off by outbursts of students' discontent. Meanwhile, the world (with its new technological and institutional paradigms) moves on, and Asia forges ahead.

Key words: Latin America, Ideology, Critical Thinking, Structuralism, Dependency, Neo-liberalism, Fundamentalism, 'New-Left', Top 1%, Keynes, Foucault, Prebisch, Hirschman.

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This paper is dedicated to the Chilean National Football Team "Brazil-2014" — as George Bernard Shaw once said, "they dreamt things that never were; and they said 'Why not?'"

Domination is more effective if it delegates the [...] violence on which it rests to the dominated.

Theodor Adorno

We welcome illusions because they spare us emotional distress [...]. 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 post-1980 Latin America (LA), where neo-liberalism has conquered the region, including most of its progressive 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 feasible alternatives. As a result, not even the (relatively small) Latin American left that has so far resisted the neo-liberal tsunami has been able to generate a new (post-structuralism/post-dependency) tradition of critical thought. Hence, the neo-liberal slogan "there is no alternative" (TINA) 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 uniquely prolific period during the 1950s and 1960s to an intellectually barren one since the death of Allende, the appointment of Paul Volker at the FED, the election of Thatcher and Reagan, 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 that different from what has happened in the rest of the world post-1980, both developed and developing. One could even argue that (despite recent sparks of interest in ever-more obscene levels of inequality)², 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 seems to have been particularly pronounced.

These phenomena bring to light issues related to what may be needed for the *sustainability* of intellectual traditions, and in particular of their capacity for *continuous* critical thinking.

The emergence in LA after the Second World War of a creative 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, sculpture, music, theatre, literature and film than in its contributions to the social sciences. Basically, in

² See especially Piketty (2014); see also Palma (2011 and 2014).

the Iberian Peninsula and in LA 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 needed 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 were required for more sophisticated technologies of power.³

In the ‘Iberian world’, since states have often governed through remarkably ‘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 their forms of control. And as these states have had no objective necessity for the advancement of this knowledge, they have not developed the institutions that were necessary for acquiring it. As a result, social sciences have been relegated to a relatively marginalised academic enterprise. In other words, the ‘Iberian world’, lacking the objective incentives, has not generated in their social sciences the remarkable creativity found (in its past and present) in its paintings, sculptures, music, theatre, literature or films. As in the distant past the “Siglo de Oro”, with its flourishing arts and literature, had no counterpart in the social sciences, the recent past is no different.⁴ Basically, where is the Picasso of Ibero-American economics? The García Lorca of its political sciences? The García Márquez of its sociology? The César Vallejo of its economic history? The Almodóvar of its social anthropology? The Fernando Pessoa of its human geography? The Frida Kahlo of its social psychology? Or the Neruda of its political philosophy?

Another (complementary) input to the understanding of the lack of development of LA’s social sciences is revealed by Ortega y Gasset. He once referred to LA’s “[...] narcissistic tendency to use reality as a mirror for self-contemplation, rather than as a subject for critical analysis and progress” (1918). He also observed that in LA he found too many “self-satisfied individuals”, reminding us that “[...] human history is the product of discontent” (Ibid.). Not surprisingly, these regional characteristics have not been very conducive to the development of the social sciences.

A very good example of this (not very creative) attitude in the social sciences — the use of reality as a mirror for self-contemplation — is provided by a good deal of mainstream economics in the region. Another example of this attitude is given by the well-known fact that in LA individuals are often more interested in wealth as a mean to demonstrate publicly their personal status, and as a sign of power and influence, rather

³ For a discussion of Foucault’s ideas in the context of the Arab world, see Frangie (2008).

⁴ Another Ibero-American cultural ‘forte’ is law, although — as opposed to the arts and letters — this has often been so for the wrong reasons. Given the importance of a rather inefficient administrative apparatuses, the omnipresence of law professionals in the middle and upper middle strata, and the channelling of much political and policy debate through legal and constitutional debates/reforms, has been another trait of Ibero-American culture.

than as a means of capitalist-type accumulation and transformation (à-la Schumpeter); this phenomenon has been an important fetter on the economic development of the region.

In fact, the unusual dynamism of LA's social sciences after the Second World War had as an important input the impact of a recent 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 given by members of second or third generation immigrant families from the 'Axis powers' — particularly Italians — who (probably disgusted by the obscenities of fascism), instead of joining 'the family business', chose a life of intellectual work. Some cumulative causation was probably also at play, where (as opposed to what's happening today) a vibrant intellectual life of the critical thinking-type generated powerful 'pull factors'. Finally, another crucial contribution was provided by the rise in 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 social transformation 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 an intellectual tradition. As will be argued below, the 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 in 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, the general feeling was that instead of properly 'catching-up', LA was getting increasingly trapped in a sort of evolutionary blind alley. For structuralists, to escape this fate what was needed was to engineer a very specific set of structural changes in the economies of the region that would help revitalise them by fostering those economic activities with the externalities and the spill-over effects needed to set in motion processes of cumulative causation that would take advantage of dynamic economies of scale, increasing returns and so on. And for 'dependentistas', instead, what was needed was to turn LA politically in a radically new direction. That is, structuralists called for a new economic structure, with a leading agency rôle for the state and the emerging industrial bourgeoisie in how to get there, while 'dependentistas'

were more concerned with a new form of *agency* from the left in the form of a more visionary and radical political leadership.⁵

However, as already mentioned, 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 organisations. In fact, it is no accident that one of its most creative sources (structuralism) developed, of all places, among UN bureaucrats (ECLAC), and was led by an ex-president of a central bank (Raúl Prebisch); and that in the other (dependency) one of its most influential branches was set in motion by someone recently graduated, of all places, from the Faculty of Economics 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).

2.1 - Structuralism — and the limits of the economics of “Uneven Development”

The dimensions of ECLAC's thought were based not only upon its structuralist nature, but also upon its breadth and internal unity (see Appendix 1). Nevertheless, it is also in this structuralist nature that the limitations of ECLAC thought lie. ECLAC proposed an ideal model of sectoral growth designed in such a way that the three structural tendencies identified by their analyses (unemployment, external disequilibrium, and the tendency towards deterioration of the terms of trade) could be avoided (see Appendix 1). From this was derived the necessary conditions of accumulation to allow the required transformation of the different sectors of material production. However, this type of structuralist approach is insufficient for the analysis of the evolution of the system as a whole, as it clearly involves more than the transformation of the structure of production in one of its poles. The theories of ECLAC examined certain aspects of the development of the forces of production (to the extent that they deal with labour productivity and the degree of diversification and homogeneity of the structures of production), but did not touch on social relations of production or the nature of the state, nor, as a result, on the manner in which they interact.

Furthermore, the analysis of the asymmetries of development in the world economy cannot be carried out solely in terms of the patterns of accumulation necessary to avoid the creation of certain disproportions between the different sectors of material production, as these are clearly linked to the nature of accumulation in each pole.⁶ That is, it is not enough to postulate the unevenness of development of the forces of production; it is necessary also to bear in mind that those forces of production develop in the framework of a process of generation, appropriation and utilisation of the economic

⁵ Those who made influential contributions in the structuralist camp include (among many others) Ahumada, Bacha, Díaz-Alejandro, Fajnzylber, French-Davis, Furtado, Katz, Noyola, Pinto, Prebisch, Rodríguez, Sunkel and Urquidí; while in dependency analyses they include (again, among many others) Caputo, Cardoso, Dos Santos, Faletto, Hinkelammert, Laclau, Lessa, Marini, Pizarro, Serra and Tavares.

⁶ For further analyses of these issue, see Rodríguez (2006); Cimoli and Porcile (2014); and Palma (1978 and 2008a).

surplus, and that process, and the relations of exploitation upon which it is based, are not reproduced purely within each pole, but also between the two poles of the world economy.

In other words, in ECLAC's work one finds a huge analytical gap between their abstract 'structural' analysis, and the actual feasibility/effectiveness of their down-to-earth concrete set of policy recommendations. This gap emerged from their failure to analyse national/regional distributions of power properly, as well as their formal and informal socio-political institutional and organisational evolution and characteristics — which is essential in order to be able to 'translate' effectively their abstract 'structuralist' (or system) analysis into a pragmatic set of effective policy recommendations. That is, what was lacking in their analyses was an understanding of the political settlements in which their policy-recommendations were supposed to be applied.⁷

It is not particularly surprising that ECLAC should have attracted its share of criticism, particularly as it went beyond purely theoretical analysis to offer a package of heterodox policy recommendations. From the right the reaction was immediate and at times ferocious: ECLAC's policy recommendations were totally heretical, and threatened the interests of powerful domestic and foreign groups. ECLAC was also criticised from sections of the left for failing to denounce sufficiently the mechanisms of exploitation within the capitalist system, and for criticising the conventional theory of international trade only from 'within'.

On the political front, the right also accused ECLAC of being the 'Trojan horse of Marxism' on the strength of the degree of coincidence between the two analyses. In both cases the principal obstacle was located overseas (international division of labour imposed by the centre), and they shared the conviction that without a strenuous effort to remove the internal obstacles to development — in particular, the traditional sectors and the weakness of a typically 'captured' state — the processes of industrialisation and of renewal of domestic agriculture, and the necessary political and social transformations, would be greatly impeded.

Furthermore, the coincidences between the two respective lines of thought were made more evident by the fact that their respective processes of reformulation occurred simultaneously. Thus when it became apparent that capitalist development in import-substituting LA was taking a path different from that expected, a number of ECLAC members began a process of reformulation of the traditional structuralist thought, just at the time that an important sector of the left was breaking with the conventional Marxist analysis. Moreover, both reformulations had one extremely important element in

⁷ One should never underestimate the constraints that those working in ECLAC had for their analyses of LA's economic problems; working as a UN bureaucrat may have a lot of advantages, but freedom of speech is not one of them! For example, when Kaldor came to ECLAC in 1956 and wrote a paper about Chile (Kaldor, 1956), in which, among other things, he proposed a new (and progressive) system of taxation, ECLAC simply refused to publish it (with the most absurd possible excuse; for an analysis of Kaldor's paper and the related events, see Marcel and Palma, 1989). Another example is the difficulties encountered by Cardoso and Faletto when they tried to get the necessary authorisation from ECLAC's authorities to publish their book (see Cardoso and Faletto, 1979; first edition in Spanish, 1969) — one that attempted precisely to be a first step to bridge that gap between system analysis and actual feasibility of policy recommendation.

common: growing *pessimism* regarding the feasibility of a dynamic process of capitalist development in the periphery.

ECLAC analysis re-emerged in academic circles in the 1980s as an attempt to re-examine (and formalise) some of the traditional structuralist hypotheses from the perspective of modern economics (see the papers collected in Sunkel, 1993; and especially Taylor, 2004). Although this new approach did make significant contributions to macroeconomics and development economics, it has not succeeded in introducing structuralism as a new method of enquiry into contemporary mainstream economic analysis.

2.2 - Dependency

Dependency theories emerged in the early 1960s as attempts to radically transform both ECLAC-type structuralist, and Seventh World Congress of the COMINTERN-type Marxist thinking about the obstacles facing capitalist development in the periphery (see Palma 1978).⁸ There can be little doubt that the Cuban Revolution was the turning point. This new approach argued mostly against both the *necessity*, and the *feasibility* of capitalism in LA (and in the periphery in general). Consequently, it also argued against the politics of the 'popular fronts', and in favour of an attempt towards an immediate transition towards socialism.⁹

The pre-dependency, pre-Cuban Revolution Marxist approach saw capitalism in the periphery as still *historically progressive*, but argued that the necessary 'bourgeois-democratic' revolution was being inhibited by a new alliance between the two main enemies of progress and transformation: imperialism and the traditional elites. The bourgeois-democratic revolution was understood as the revolt of the emerging forces of production against the old pre-capitalist relations of production. The principal battle-line in this revolution was supposed to be between the rising industrial bourgeoisie and the traditional oligarchies — i.e., between industry and land, capitalism and pre-capitalist forms of monopoly and privilege. Because it was the result of the pressure of a rising class whose path was being blocked in economic and political terms, this revolution would bring not only political emancipation but economic progress too.

Therefore, this pre-dependency Marxist approach identified imperialism as the main enemy — in one way or another, the omnipresent explanation of every social and ideological process that occurred. The principal target in the struggle was therefore unmistakable: North American imperialism. The allied camp for this fight, on the same reasoning, was also clear: it comprised everyone, except those internal groups allied with imperialism (the traditional oligarchies). Thus, the anti-imperialist struggle was at the same time a struggle for capitalist emancipation and rapid industrialisation. The local state and the 'national' bourgeoisie appeared as the potential leading agents for

⁸ In fact, as discussed below, the politics of many 'dependentistas' (especially those of its most influential branch) had a lot in common with those of the (pre rise of the Nazis in Germany) Sixth Congress of the COMINTERN; this was the one that proclaimed (in perhaps the greatest delusion of all times) that "the capitalist system was entering the period of its final collapse".

⁹ Broad 'popular fronts' emerged from the anti-fascist struggles favoured by the Seventh Congress of the COMINTERN.

capitalist development, which in turn was still viewed as a *necessary stage* towards socialism.

The post-Cuban Revolution Marxist analysis began to question the very essence of this approach, insisting that the local bourgeoisies in the periphery no longer existed as a 'progressive' social force but had become 'lumpen', incapable of meaningful productive accumulation or rational political activity, dilapidated by their consumerism and blind to their *own* long-term interest. It is within this framework that the main branch of 'dependency' appeared on the scene. At the same time, both inside and out of ECLAC there began to develop the other two major approaches to this analysis (see Appendix 2).

3.- Whatever happened to the structuralists and the 'dependentistas' after the fall of Allende and the Berlin Wall?

The two characteristics of structuralist and dependency analyses that are most 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 pre-1980 intellectual output (especially of the politically most influential "development of the underdevelopment" approach to dependency analyses). What I mean here by fundamentalist is that the 'purity of belief' increasingly came into conflict with the intricacies of the real world.

The central proposition of my 1978 survey on dependency (Palma, 1978) 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. In fact, while many 'dependentistas' wrote during the 1960s and early 1970s on the supposed non-viability of capitalist development in LA, the region was experiencing a rather dynamic period of economic growth: while the authors discussed above were busy writing about the intrinsic incapacity of peripheral-type capitalism to develop the productive forces in LA, in the six countries for which data are available (Argentina, Brazil, Chile, Colombia, Mexico and Venezuela), productivity per hour worked grew at an average annual real rate of 3% *for three consecutive decades* (1950-1980) — a performance that had no precedent in the region, and has had no continuation ever since. Thus, while a considerable part of the Amazon was being deforested to keep up with the 'pessimistic' dependentista publications of the time, these countries were actually 'catching-up' with the US during this period — the corresponding rate for the latter was only 2.2% p.a. Overall, during these three decades the average productivity per hour worked of these six Latin American countries increased by a factor of 2.4, with Brazil and Mexico more than trebled it; i.e., they managed to multiply their productivity per hour worked by a factor of 3.6 and 3.3, respectively — one that is similar to that which India, Thailand or Vietnam have achieved in the last three decades, and faster

than the respective performances of Singapore, Hong-Kong, Malaysia or Indonesia during this period (see GGDC, 2014).¹⁰

In other words, these authors — as so much of progressive thinking at the time *and now* — seem to have been totally unable to distinguish between a (well-justified) *socialist critique of peripheral capitalism*, and the analysis of whether this system was able to develop — 'warts and all' — the productive forces of the periphery.¹¹ The confusion between these two totally different aspect of the analysis — one of the most salient aspect of Marx's work is that he never fell into this populist trap — has been perhaps the trade mark of much left-wing thinking since Lenin open the floodgates to this type of analysis with his 1916 pamphlet (and continues today unabated).

There is little doubt that the progressiveness of capitalism has manifested itself in the periphery (then *and now*) rather differently from that in advanced capitalist countries, and that it has mostly benefited the elite, or that it has taken on a cyclical nature, and that it has manifested differently in the various long-term technological cycles of the world economy (Pérez, 2002). In other words, at the same time that the development of capitalism in the periphery has been characterised by its usual contradictory and exploitative nature, it has also had its remarkably different specificities — and these stem precisely from the particular ways in which these contradictions have manifested, the different ways in which many of these countries have faced and temporarily overcome them, the ways in which this process has created further contradictions, and so on. It is through this process that the specific dynamic of capitalist development in different peripheral countries has actually been generated.

Reading the political analysis of most 'dependentistas' at the time, one is left with the impression that the whole question of what course the revolution should take in the periphery revolved solely around the problem of whether or not 'proper' capitalist development was viable. Their conclusion seems to be that if one were to accept that capitalist development is feasible *on its own contradictory and exploitative terms*, one would be automatically bound to adopt the political strategy of waiting ('Penelope-style') and/or facilitating politically such development until its full productive powers have been exhausted — and only then to seek to move towards socialism. As it is precisely this option that these writers wished to reject out of hand, they were obliged to make a forced march back towards a pure ideological position in order to deny *any* possibility of meaningful capitalist development in the periphery at the time — even if this was taking place in front of their own eyes.

Oddly enough, nowadays I would struggle to find sufficient publications that are properly critical of capitalism in its remarkably disappointing neo-liberal reincarnation to justify a similar survey article, even though productivity per worker in most of the region has been practically stagnant during the last three decades — the average productivity-growth for the region as a whole between 1980 and 2013 is just 0.1% p.a. in real terms; or 0.16% p.a. in terms of average productivity 'per hour-worked' for the seven countries

¹⁰ Due to lack of data, the corresponding figures for India, Vietnam and Indonesia refer to productivity per worker (instead of 'per worker-hour').

¹¹ Analysis and ideology are indissolubly mixed; see, for example, Hugh Stretton (1969); and Laclau (1977).

for which these data are available (Argentina, Brazil, Chile, Colombia Mexico, Peru and Venezuela). If the difficult 1980s are excluded, this average productivity-growth between 1990 and 2013 is still below 1% p.a (see GGDC, 2014). And what critical 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, more growth-enhancing macros (i.e., one with reasonably competitive exchange rates and 'softer' monetary policies), and increased investment in human capital and technological innovation and absorption.¹²

This remarkably unimpressive average does not mean, of course, that nothing has been 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 economy with it — Kaldorian- and Hirschmanian-style — during the latter the new 'engines' (commodities, retail and finance) have failed to do the same.¹³ As a result, on aggregate, GDP growth during these three decades is almost entirely explained by employment creation — and most of this has been generated in low-productivity-growth potential/low-wage/mostly precarious jobs in services.¹⁴ Not surprisingly (for those who attach relevance to this statistic), average TFP growth has been negative for most countries of the region during these three decades.

However, the problem with many 'dependentistas' was not only related to how 'factual' matters were revealing their internal theoretical inconsistencies. It was also about the emotional energy that most of them had invested 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 in their mind that capitalism in LA would dissolve well before it had matured. Even though it could be argued that 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 analyses have to be fixated (à-la-Narodnik in late 19th century Russia; see Palma, 1978) on trying

¹² See for example the papers in Ocampo (2005), and Ocampo and Ros (2011). Main contributions can also be found (among others) in the work of Carlos Díaz-Alejandro, Fernando Fajnzylber, Ricardo Ffrench-Davis, Roberto Frenkel, Carlota Pérez, and (the honorary Latin American) Lance Taylor.

¹³ In Brazil, for example, between 1950 and 1980 the rates of growth of manufacturing and GDP per annum were remarkably high *and* very similar (8.5% and 7% p.a., respectively), while in the years since the beginning of economic reforms (1990), exports have grown twice as fast as GDP (6.3% and 3% p.a., respectively), with manufacturing collapsing to just 1.6% p.a. (see World Bank, WDI, 2014, and ECLAC, 2014, for earlier years). The Mexican case is also particularly interesting to analyse since the relative stagnation of the country's average productivity in the two decades since the beginning of NAFTA (less than 0.6% growth p.a. — i.e., less than one-fifth its rate between 1950 and 1981) took place in a context of both unprecedented inflows of FDI (the highest in the world in per capita terms) and practically unrestricted market access to the US — the first two items on most DCs' growth agenda today (for Mexico see Moreno and Ros, 2009, and Palma, 2005a).

¹⁴ As far as (gross) employment elasticities are concerned, Latin American countries' post-1980 elasticities are about twice as high as anybody else's (see Palma, 2010). A sectoral analysis indicates that LA's high employment elasticities are entirely due to services; for example, between 1980 and 2013 Brazil created 55 million jobs in all, of which about 80% were in services — mostly of the type mentioned above.

to prove the economic non-viability of capitalism in LA in order to argue for this “now or never” hypothesis (as if one was a necessary pre-condition for the other)?

Since Picasso once said that “every portrait also has to have elements of a caricature”, perhaps I may be forgiven for providing one: a great deal of dependency analysis became a bit 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 collapsing like a house of cards, gained instead a new and powerful lease of life as a result of a rather remarkable set of events far away, such as the neo-liberal reforms in advanced countries, and the surprisingly successful post-Berlin Wall new process of *re-legitimation* of capital. The region’s oligarchy in particular gained a new lease 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 (Palma, 2010) does not change the fact that capitalism did get a new lease of life when it was supposed to collapse — ‘sub-prime’ capitalism is still capitalism. The lack of dynamism is fundamentally related to the fact that the logic of accumulation and policy-making switched from state-led ISI-industrialisation to what could be called “plantation economics cum downwardly-flexible labour markets, sophisticated retail and easy finance”. Therefore, industrialists lost most of their political power to those associated with commodities, finance and retail — making LA resemble what could have probably happened in the US had the South won the Civil War.¹⁵ As a result, the new lease of life of Latin American capitalism has been characterised mostly by rentier and predatory forms of accumulation (by both domestic and foreign capital), which followed a rather extreme process of primitive accumulation especially through remarkably corrupt privatisations.¹⁶ Not surprisingly, 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’). Still, the poor performance of most countries in LA does not change the fact that capitalism was politically re-energised when it was supposed to disintegrate.

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

¹⁵ Consequently, the manufacturing industry was decimated. For example, in today’s Brazil the share of manufacturing in GDP is less than half what it was in 1980; also, no country in the world has had such a drop in its rate of growth of manufacturing output as Brazil (9.5% between 1965 and 1980, and 1% since then; or 1.6% since the beginning of economic reforms in 1990). For an analysis of this process of ‘premature’ de-industrialisation, see Bresser-Pereira (2013); the corresponding chapter in this Handbook; and Palma (2005b), (2008b), and (2013a).

¹⁶ For the many shady privatisations in the Chilean case, see especially Monckeberg (2001); see also Palma (2013b).

intellectual approach ended up being significantly constrained by its extreme economicism and 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.

From my point of view, this 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 been a real consideration of the possibility that the struggle for socialism in post-Cuban-Revolution LA might yet prove to be a rather long, intricate and, in general, a pretty uncertain affair. And for structuralists, an example of such an idea would have been the realisation that the emerging ISI-industrial-bourgeoisie was quite happy to appropriate all forms of rents created by the state with their ISI policies, provided they did not come (as in East Asia) with *performance-related conditionalities*, or that they would have had to move eventually to a meaningful process of regional integration. That is, when it became obvious (yet again) that the Latin American capitalist elite only likes carrots that come with no sticks!

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 finds increasingly in time 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, as it has also characterised a particular intolerant neo-liberal ideology afterwards; for example, Gustavo Franco (Harvard PhD, 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 "the choice [was] between being neo-liberal or neo-idiotic [neo-burro]" (Veja, 15 November 1996).¹⁷

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 and Post Keynesian macroeconomics) with Latin American economic and political realities.¹⁸ 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. Moreover, a great deal of the movement was eventually seduced by fundamentalist

¹⁷ For a similar simplistic ideological discourse, but in dependency analysis, see some of the related papers in *Latin American Perspectives*.

¹⁸ Cardoso once called this 'the originality of the copy' (1977).

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*. As mentioned above, in the case of the structuralists the latter happened when it became obvious that the Latin American capitalist elite was quite happy to appropriate all forms of rents created by the state with their ISI policies, provided they came with no 'compulsions' of any kind. 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.

As Marx had warned us a long time ago in his analysis of events in France in 1848, "people make their own history, but they do not make it as they please; they do not make it under circumstances they themselves have chosen, but under given and inherited circumstances with which they are directly confronted" (1852). A statement relatively easy to understand in a superficial sense, but rather more complicated to integrate properly into one's political analysis and action!

The election of Allende in Chile in 1970 gave all branches of dependency analysis a much needed boost (and many structuralists and 'dependentistas' held senior jobs in government), but with the deaths of Allende and of the 'Chilean Road to Socialism', structuralism and dependency analysis went into a steep decline, which in the case of the latter proved to be a terminal one.

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 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 'dead-ends', which in part explains not only why they were obliterated by later events, but also why it has proved to be so remarkably 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 "the struggle of escape" (following his own efforts to break out from the analytical constraints of mainstream economics of the time; see Keynes, 1936, p.9).

So, what needs to be analysed 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 belief* to another. 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

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 becoming the capitalist elite's best friend — especially so of that famous top 1%? The two Socialist parties in Chile, the Workers' Party in Brazil (and the ANC in South Africa) are the paradigmatic cases.¹⁹ One of the key problems for the left today is the difficulty in implementing a progressive development agenda, one that now has to be appropriate to the new world order with its new technological paradigm, the rise of China and India, and so on. 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); it is also required to carry out other necessary economic and social restructuring, like the modernisation of the state, a progressive system of taxation — that includes the appropriation of rents associated with natural resources — and the implementation of trade and industrial policies that would ensure the productive use of all forms of rents, better technological absorption, etc. 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 relatively 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 organise 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 development agendas is off the political map. As a result they gave up their progressive agendas, abandoned the economy as the fundamental site of the struggle, and eventually conceded the whole terms of the debate.²⁰ Why?

In the answer to this question there are two distinct and separate interacting issues. One relates to the complexities of the period's politics and political economy (both at home, and in the international arena); the other, to subjects such as ideology

¹⁹ 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, he organised the best campaign that money could buy, which included flying around in a private jet lent (and paid) by his close friend, Carlos Slim — according to all rankings, one of the three richest persons on earth (see <http://www.ricardoroman.cl/content/view/519/Fernando-Flores-lider-innovador.html>). 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), Chang (2003); Kozul-Wright and Rayment (2007); and Reinert (2007).

²⁰ According to Faletto, for many in the left suddenly "the 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); a 'modernity' that according to Adorno had a peculiar characteristic: "Today the appeal to newness, of no matter what kind, provided only that it is archaic enough, has become universal" (1974).

and the nature of the Latin American 'progressive' intelligentsia.²¹ Starting with the first, one aspect that is necessary to take into account is the political pressure put on left-wing parties by the difficult transitions to democracy. Democratic governments became possible in LA (and South Africa) during the rapidly changing 1980s and early 1990s — a period of radical political change in the US and Europe, the collapse of the Soviet Union, rapid globalisation, the rise of the East, new technological and institutional paradigms, and so on. And they became possible 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, rents or 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 — especially in terms of how in LA the two sets of issues mentioned above interacted during this period (complex politics and political economy, with fragile ideologies and the nature of the Latin American 'progressive' intelligentsia). As is well known, when Pinochet called the 1988 plebiscite (to remain in power for another eight years) he tried to make it into a plebiscite on the effectiveness of 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 instead the central issue of the plebiscite whether or not Chile should continue for another eight years as a banana republic (rather than 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 this tacit support to change once the new democratic government was in office. But no such luck! Why? The answer to this takes us to the second set of issues mentioned above: 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 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.²²

²¹ However, in the analyses of historical events one has to make inevitably an almost metaphysically effort two separate analytically these two sides of the opposition, and how they interacted in those events.

²² i) Anything that happened before the neo-liberal reforms was wrong, inefficient and populist; ii) once the reforms have been implemented (reforms which simply attempted to create a future which was fundamentally the exact opposite of that past), any problem that emerged could only be solved by more neo-liberal reforms — or, if more liberalisations, privatisations, de-regulations or tax cuts could not solve a given problem, that was a case of a problem that had no solution (at the

The main point I am making here is that this transformation of these 'urgent necessities' into 'policy', and then into 'ideology' (of the neo-liberal-left-type) — 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 for regaining lost powers and privileges — for which countless tears of *saudade* had been shed?²³

In other words, following Sartre's concept of '*mauvaise foi*' (bad faith),²⁴ 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 simply an exercise destined as much to deceive others as to *deceive themselves* into believing that the transformation of society had become the ultimate unacceptable risk.

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 the government: one is that the first thing they should 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 — i.e., possible speculative attacks, exchange rate crises, perilous 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 — in actual fact mean a (self-constructed) scenario characterised by hugely increased risks and heightened uncertainties, leading to a situation in which one has to live permanently under the logic of a 'state of emergency'.

And as progressive change came off the political agenda, the Latin American left separated into three camps: the 'managerial' left, the 'traditional' one, and the 'radical'. The first, which included the majority of the 'official left', together with aiming at the reversal of as many aspects of the previous development strategy and policies as

beginning of the 20th Century, a Chilean President (Ramón Barros Luco) famously said that in life "there are only two types of problems: those that will get solved by themselves, and those that have no solution." The neo-liberal version of this world-view is that now there are also only two types of problems: those that can be solved by more neo-liberal reforms, and those (including, of course, inequality) that have no solution); iii) the only role of economic policy is to generate 'credibility'; and this can only be achieved by keeping the top 1% sweet; and iv) the only way forward is to open up the economy fully to globalised capitalism, especially its finances, even if this means having to live from then on 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 (on the latter point, see Arantes, 2007; see also Palma, 2010).

²³ 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."

²⁴ For a definition of an argument of 'bad faith', see Sartre (1993).

possible, reinvented itself as a new political movement with only one “progressive” challenge ahead: to manage effectively a new type of social-risk ‘hedging-State’ (i.e., one with an efficient agenda of safety-nets). The ‘traditional’ left, in turn, also continued to be stuck in the past, but in this case by trying to reproduce it — as in some sectors of the Venezuelan and Argentinian left. The third, the radical camp, tried instead to remain as a critical thinking force, but today is rapidly becoming an endangered species — helped to endure in this difficult struggle only by several spontaneous outbursts of students’ discontent, particularly in Chile and Brazil.

In terms of the ‘managerial left’, what is ironic in this respect is how my ‘neo-comrades’ are also still stuck in the past. In fact, it would not be an exaggeration to say that they are so as much as the ‘traditional’ left, because while the latter simply attempts to replicate past economic policies as if we were still in the same old technological paradigm, and in the same pre-1980 international economic order, the former equally wants to do the same, *but exactly the other way round*. That is, they seem to be guided by a discourse that resembles a compass whose ‘magnetic North’ is simply the reversal of as many aspects of the previous development strategy and policies as possible — i.e., everything the other way round (plus “clusters”). The mere idea that different, more pragmatic and more imaginative alternatives could exist, as those attempted in Asia — alternatives that could be more appropriate to the current technological and global institutional environment — is rejected out of hand. For example, if pre-1980 (pre-1973 in Chile) economic policies in the region were characterised by high tariffs, strict capital controls, strong presence of the state as a direct producer, public investment as high as two-digits of GDP, relatively progressive taxation, the appropriation of rents from natural resources, clearly defined industrial policies, and so on, today they preach exactly the opposite: free-trade, free capital movements, the privatisation of everything that moves in the public sector, low levels of public investment (since 1980 public investment has not averaged more than 3% of GDP in any country in LA), regressive taxation, no proper royalties to appropriate the rent from natural resources, no trade or industrial policies (at most some ‘horizontal’ incentives), and so on.

In sum, the new development strategy of the ‘new-left’, and its related economic policies, has a simple guiding principle: to think now of what before was considered “virtue” as “vice”, and what was considered “vice” as “virtue”. This narrow ‘reverse-gear’ attitude has delivered not only a disappointing economic performance (particularly in terms of productivity-growth), but also rather odd political settlements characterised by a combination of an insatiable top 1%, a captured ‘progressive’ political élite (the dominant classes are quite happy to let them govern as long as they do not forget who they are), passive citizens, and a stalled social imagination — all made more palatable by an agenda of safety-nets. A dull mélange that at times is sparked off by outbursts of students’ discontent. And while both the ‘traditional’, and the ‘new’ left are still stuck in the past, the world moves on, there is a technological revolution that has changed almost everything, international financial markets have become monstrously large (and have detached from the real economy, and become self-destructive), OECD economies are ever more geriatric, and Asia forges ahead.

Perhaps most of the Latin American left — at least its 'traditional' and its 'new' versions — should heed the warning from that famous salsa: "¿Y tu que haces en el anden? ¡Sube que te deja el tren!"²⁵

Perhaps nothing shows better this Latin American narrow 'reverse-gear' attitude in terms of development strategies and economic policies than a statement made by the head of Brazil's Central Bank (a former heterodox economist) at the time of Cardoso's economic reforms; when asked about the soul of their economic agenda, his reply was to the point: "[having] to undo forty years of stupidity" (Veja 15 November 1996). Nothing explains more accurately the rigidity with which the reforms were implemented in LA — i.e., an approach that simply multiplied previous policies by minus one — and their poor outcome, than this almost childish attitude (so different from that in Asia!).

Here the million-dollar question is why is it that in LA (now and in the past) ideologies tend to be so remarkably rigid? My own perspective in this is that a crucial component of the answer lies in the fact that in LA there is little else in the form of social cohesion!²⁶ But, whatever the reason for this perennial ideological rigidity, what we find in LA in the last 30 years (as the subtitle of this paper indicates) was a movement from one type of 'absolute certainties' to another — which turned out to be the exact opposite of the former.

And in order to implement successfully their still-stuck-in-the-past ideology, the critical trick of the *managerial* majority was to disguise their new pro-business approach (which in the Latin American context, inevitably means pro-large oligopolistic corporate interest) 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*.²⁷ It also helped them to convince themselves and the rest of society that the 'dissident' left-wing camp that tried to look forward was just made up of pedantic doctrinaires — or, as Cardoso labelled them, of "neo-bobos" (neo-silly).

Perhaps what has happened in LA in this respect can be better explained (as Arantes does) by restating Adorno. For him "intelligence is a moral category" (1951: 197); maybe there are times — as is the case of LA today — when a lack of critical thinking can also be turned into a 'moral category'.

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 one of her last interviews, the ex-British Prime Minister (rightly) said that her finest 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'.

²⁵ "What are you doing on the platform? Jump in; the train is leaving you behind".

²⁶ See, for example, Palma (2010 and 2011).

²⁷ In a recent speech, Lula has dismissed his revolutionary past as being down to his youth at the time; however, now "maturity has distanced me from the left" (quoted in FOLHAONLINE, 2 May 2008, available at <http://www1.folha.uol.com.br/folha/brasil/ult96u87635.shtml>). In his newly acquired wisdom, he went on to say that "if 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.).

According to Paulo Arantes (2007), Pascal's philosophy could also help 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 the 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 — particularly in LA. But there is nothing like automatism as a force towards giving up, little by little, and almost without noticing, one's own convictions. And there is surely a difference between pragmatism and 'cynical-realism.'

And as Oliveira (2006) has argued, almost before anybody could notice 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. And in Chile, according to a former president of Allende's Socialist party, his party now resembles a "pure clientelist machinery" (see Basadre, 2008).

Another instrumental political-economy factor helping the emergence of the 'new-left' has been that within the Iberian tradition societies are often run by huge State apparatuses full of faceless 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 implementation of the political agenda of the new 'managerial left'.

However, the issue of why it was so difficult for most socialist thinkers in LA (and elsewhere) 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, 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 Western 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, for the mirage of "newness". At the same time, a critical tradition remained — as was the case, for example, in India.

From this perspective, perhaps what led to economic reforms being implemented so differently in LA and in many countries in Asia after 1980 (remarkably rigid in the former, with an important component of pragmatism in the latter) is that in the former policy-makers of most political persuasions, including the 'new left', were just too eager to believe that neo-liberalism and the Washington Consensus were a set of ingenious tricks devised by Dumbledore, while in the latter they instinctively suspected that most likely they were the work of Voldemort...

And to understand the work of the latter one could resort to Darwin. As Tony Lawson has argued (in a different context), “[...]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). Natural selection mechanisms of this sort are crucial to understanding what neo-liberalism is really about: it is about deliberately creating an *artificial* economic environment that is 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 has turned out to be is the promotion of a special type of ‘disorder’ that can help legitimise the supremacy of capital, as in a high-risk and unstable environment only it can thrive.

Something similar to the ‘new left’ phenomenon in LA happened to the ANC in South Africa. In its first twenty 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 proved to be the most effective mechanism to reinforce them! Furthermore, the ANC 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 in the world the ANC did have 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 possibly resemble that of the ANC in 1994 — a capacity to transform that was also very much wasted.

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,²⁸ and even if it is 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 from the point of view of the nature of the Latin American intelligentsias, and their fragile ideologies is how easily the ‘story-telling’ convinced the story-tellers themselves!

In fact, a good example of how the two types of issues mentioned above interacted in LA was that 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.²⁹ For example, one of the crucial problems of the new left governments was that if they

²⁸ I firmly believe that democratic forces had much more room for manoeuvre than what they were prepared to acknowledge at the time.

²⁹ 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!

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 to placate international and domestic financial markets there was little alternative (given the options they took) but to become true born-again neo-liberals. Nothing less would do.³⁰

I sometimes wonder whether the brand of neo-liberalism that the 'new left' in LA ended up constructing was 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 "there is nothing new to be discovered in physics now. All that remains is more and more precise measurement" (1990).³¹

Of course, there is a 'real' world out there, and the radical left is certainly not known for its capacity to construct practical alternatives.³² 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 'practical' alternatives under current political and political-economy constraints? 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? Why were they so desperately keen to concede the economy, the terms of the debate, and almost everything else? Why when events moved in such a wrong direction did they feel that they had lost *all* their progressive relevance, and therefore were unable 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? So much so that all they want to do now is the exact opposite!

From this perspective (and as opposed to the economicistic reductionism of the Washington Consensus), one should not forget that according to Foucault neo-liberalism, at least in its origins, was conceived not as a set of economic policies, but mostly as a 'positive' form of *social regulation* — one that went far beyond the usually acknowledged

³⁰ The Chilean Finance Minister between 2000 and 2006 — a member of one of the two socialist parties, and former member of the Communist Party (later top executive at the IMF) — is reported to have said while in office that the reason why Chile was performing so much better than the rest of LA at the time was that "in 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".

³¹ An analogy with quantum mechanics could help to illustrate this point. Since its inception, the many counter-intuitive results of "QM" have provoked philosophical debates — Einstein seemed to have particularly enjoyed them. However, a school of thought argues that physicists should not waste time with metaphysical issues; so they call themselves "the shut up and calculate school of quantum mechanics". When discussing these issues with my managerial 'neo-comrades', their usual response could often be summarised along the same manic lines: 'shut up and calculate something useful'; stop drowning in critical thinking — do an MBA! (Once a Chilean 'new-left' friend jokingly quoted at me Neruda's most famous verse: "Me gustas cuando callas, por que estas como ausente"... [I like you when you are silent, as though you were absent]).

³² As a counter example, see Harcourt (2006, chapter 8).

set of 'negative' reactions to the Keynesian Welfare State (such as the retreat of the state and the lifting of controls and regulation necessary to unleash again 'unfettered market forces', or about the disappearance of the nation-state). It was in fact supposed to be a novel reconfiguration of power leading to a new type of 'governmentality' — i.e., a new form of interaction between political power (and knowledge and discourse) and the dynamics of the unregulated market. If only my 'neo-comrades' had understood this, and made an effort to make sure that neo-liberalism would at least steer towards that original aim!³³

What seems to be peculiar to LA is that when the above mentioned idea of the unremitting critique of the economy got stuck within dependency analyses, those within this tradition who wanted to shift to other critical discourses in an organic way (such as towards radical democracy, gender identity, the fate of indigenous people, the environment, and so on), because their previous analyses had been based almost exclusively on an *economicist* critique of capitalism, found it almost impossible to do so. That is, the left that wanted to abandon the economy as the fundamental site of the struggle but still continued to think critically, found it very difficult (if not impossible) to do so as it seems to have felt that it had lost not just some but most — if not all — its progressive significance. That was not the case in many other regions, where a significant part of the left was able to shift their analytical focus from 'the economy' to other issues; so, critical thinking could at least continue.³⁴

What is crucial here is that as the 'new left' in LA believes that it cannot get political power to implement its own progressive agenda, it ended up trying to gain power to implement what Francisco de Oliveira has called an "upside-down hegemony" (Oliveira, 2006). In short, "if you can't beat them, join them" became the (not-so) innovative 'battle cry' of my neo-comrades — together with their 'third way' discourse (which proved to be just a phoney ideological disguise).³⁵

And LA's 'new left' has proved to be remarkably effective in the implementation of their upside-down hegemony; according to a the *Wealth Report* (2014), in the last ten years no other main region in the world has created so many millionaires (i.e., individuals with US\$ 30 million or more in terms of net assets, excluding their principal residence), centa-millionaires (those with net assets of more than US\$ 100 million), and billionaires as LA has done. And within LA, perhaps not surprisingly, those countries with 'centre-left' governments are the ones with a rate of increase of these types of millionaires well above-average. Among these, in terms of new millionaires created in the last decade (defined as above) Uruguay comes joint first with Venezuela, followed by Brazil Argentina and Chile; as for new centa-millionaires, Venezuela ranks first, followed by Brazil, Uruguay, Argentina and Chile; and for new billionaires, Argentina ranks first,

³³ For Foucault's analysis, see especially Foucault (1980); see also Frangie (2008) and Palma (2009).

³⁴ 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).

³⁵ It soon became obvious that the 'third way' discourse was mostly an attempt to disguise newly-acquired beliefs as if they were ideas...

followed by Brazil, Chile and then Venezuela.³⁶ During this period, in turn, traditionally 'right-wing' Mexico had an increase of people in these three categories which was only one-fourth to one-sixth those in the 'new-left' countries.³⁷

As for the Workers' Party-Brazil, the report estimates that in 2013 one additional person became this type of millionaire every 27 minutes — in a country with a practically stagnant economy. In fact, according to the above mentioned report, during the last decade (i.e., the two periods of Lula and one of Dilma) dollar millionaires (as above), centa-millionaires and billionaires increased by 273%, 274% and 256%, respectively. When Cardoso was once asked his opinion of Lula as president, his answer was brief and to the point: "He knows how to please the *élite*"³⁸ At the same time, it took Lula (of all people) 5 years as President to make *his first* visit to a favela.³⁹

The bottom-line, as Freud reminds us (see epigraph), is that in LA today it is again equally true that one should not be so appalled at these kind of events, because it was *our expectations* which were totally out of place: "in reality our fellow-citizens have not sunk so low as we feared, because they had never risen so high as we believed".

When Keynes said, "people 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 'new-left' is unlikely to lead to its political death (as many wrongly 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.

As it has turned out, both Keynesian-style liberalism and neo-liberalism have proved to be *de facto* counter-cyclical ideologies basically aiming to change the balance of power between income groups — each emerging at a different phase of the cycle: post-1930s FDR-ism / Keynesianism as a result of the disruptive effects of a crisis-ridden

³⁶ Something similar happened in Britain, where a report indicated that the wealth of the richest one thousand individuals in the country increased six-fold during the first ten years in office of 'New Labour' — to nearly one trillion dollars (see *Financial Times*, 29 April 2008).

³⁷ The Mexican capitalist *élite* was rather short-sighted (to say the least) when they helped the two traditional right-wing parties (the PRI and the PAN) to steal the presidential election from the 'new-left' not once but twice...

³⁸ Estado de São Paulo, 12 January 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 a cost to the public sector of \$43 billion (see Palma, 2006; this is equivalent to about US\$ 60 billion at current prices). To this one should add the cost of Cardoso's re-election; as he needed to change the constitution, he spent approximately US\$ 44 billion (again about US\$ 60 billion at current prices) in subsidies to state governments controlled mostly by opposition parties in order to get their support for this constitutional change (see *Ibid.*). And as the Brazilian government has followed mostly a Ponzi finance ever since (i.e., has mostly capitalised the service of that debt), the current value of those debts is quite a few times higher. From this perspective, street demonstrations in Brazil, rather than being directed just at the cost of the World Cup (about US\$11 billion), should have been directed rather at other, much more expensive, components of the huge domestic public debt, such as the (no-questions-asked) rescue of private banks, or to Cardoso's ego — probably the most expensive in Brazilian political history.

³⁹ See <http://news.bbc.co.uk/1/hi/world/americas/7120322.stm>. "I was dreaming a wrong dream", was how a leader of the Workers' Party described his disappointment with Lula's government at the time of his resignation from the Party.

unregulated capitalism; post-1980-neo-liberalism as an attempt to return power and control to their 'rightful owners' (capital).⁴⁰

As is so often the case, Hirschman provides a crucial insight into the switch from one kind of 'absolute belief' to another. Discussing what he saw as long-term cycles of preferences for public versus private provision of goods in the developed world, he argued that the post 1980 backlash against Keynesianism and dirigiste policies had a lot to do with the stagflation in the 1970s (Hirschman, 1982). This accelerated a growing collective frustration concerning the effectiveness of state regulation and led to radical calls for more laissez-faire policies. He argued that *sustained* frustration and disappointment with existing institutions can lead to extreme "rebound effects" demanding radical changes in policy. Long-term cycles of preferences for public versus private provision of goods may be explained by such mechanisms. For him such disappointment must often go through a threshold before it is consciously acknowledged; people have a tendency *to deny bad choices* and stick to them *for far too long*. But when they do finally admit to their disappointment, it is likely that it would take the form of a "rebound effect" — and the longer the denial of bad choices, the stronger the "reverse shift". In fact, he thinks that "a good portion of the so-called puzzle of collective action and participation in public affairs disappears when the rebound effect is taken into account" (1982, p. 81). And few "reverse shifts" (or "rebound effects") have been so pronounced as the one that took place in LA after 1980 — and have led so mechanically to exactly the opposite set of policies. As indicated above, as ideologies are so crucial in LA perhaps we have a tendency to deny bad choices and stick to them for much longer than most!

So, perhaps one should not complain so much when the inevitable (and massive) 'rebound effect' comes along. However, this is hardly an argument for simply (and opportunistically) free-riding along them when they come.

Conclusions

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 ISI; and that these huge rents (as opposed to what was happening in East Asia at the time) should be given without any form of performance-related conditionality or export-requirements. And now, in the new century, their process of re-legitimation has been so remarkably successful, and their new technologies of power so effective, that they have convinced the majority of the left not only that "there is no alternative" — and, therefore, 'nothing left to decide', and even less *to think-critically* —,

⁴⁰ Sir Alan Budd, a top UK Treasury civil servant at the time of Mrs. Thatcher's government, and strong supporter of monetarism, explains this rather candidly: "The Thatcher government never believed for a moment that [monetarism] was the correct way to bring down inflation. They did however see that this would be a very good way to raise unemployment. And raising unemployment was an extremely desirable way of reducing the strength of the working classes. [...] What was engineered — in Marxist terms — was a crisis of capitalism which re-created the reserve army of labour, and has allowed the capitalists to make high profits ever since" (quoted in Cohen, 2003, p. 13; see also Palma, 2009).

but also that they actually deserve every privilege and reward (and, of course, every rent and free-lunch) that they can get. In the case of Chile, for example, with the 'Concertación/New Majority' in its fifth term of office since the return to democracy in 1990, few question the fact that according to a recent study on tax returns (i.e., not counting tax-evasion), the top 1% — including retained profits, but excluding capital gains — happily appropriates about one third of national income (32.8%; see López, Figueroa and Gutiérrez, 2013). And all this in a democracy (maybe a low-intensity one, but democracy nonetheless), and in one that prides itself for being 'centre-left'. Using Hirschman's terminology, now the Latin American new-left's "tolerance for inequality" seems to know no bounds. In fact, if one looks inside this top 1% it gets even worse: the top 0.1% of tax-payers now gets one-fifth of the national income (19.9%), and the top 0.01% — corresponding to individuals belonging to just 300 families — gets more than one-tenth (11.5%) of the total.⁴¹

Perhaps the greatest irony of them all is that neo-liberalism was originally advertised as "the alternative" to the (Roosevelt-Keynesian) "road to serfdom"! (Hayek, 1944). For the Guinness Book of Records — section 'delusional discourse'.

Chile's remarkable inequality after more than four decades of uninterrupted neo-liberal policies — of the 'authoritarian' and 'centre-left' versions — puts into context Hayek's cheerful vision of the effectiveness of what he calls the "spontaneous order" as an engine of history. For him, this "order", via its supposedly uniquely effective set of incentives, makes it possible to use the knowledge and skills of all members of society in a much more efficient way than any possible alternative (Hayek, 1991). In his analysis it follows that *any* regulation of this "spontaneous order" attempting to interfere with its structure of incentives (such as those devised by Roosevelt and Keynes in the 1930s, 1940s and 1950s, for example), would inevitably constrain entrepreneurship and capacity-building of individuals. Instead, greater freedom of personal endeavours would lead to a greater level of progress. However, following this logic, it is particularly difficult to understand the growing inequality of the last 30 years — reflecting how remarkably skewed this new "order" is in terms of its distributive outcomes (i.e., how rigged it is when it comes to the issue of rewards for efforts and skills). In fact, now we know only too well what neo-liberalism can deliver in terms of income distribution — and they indicate that Hayek was not just a bit off the mark in this respect; in fact, he was not even close. The case of Chile's current appalling inequality is just one fairly illustrative case of how the famous 'invisible hand' is neither invisible nor even-handed.

And following Hayek's logic, it is of course also rather difficult to understand the 2007-2008 financial crisis — and how it unmasked the self-destructive nature of this famous "spontaneous order", especially when its finances lack the Bretton Woods-type regulation.

Perhaps Hayek (et al.) would have understood better how markets actually work in the real world — i.e., how the 'top 1%' can rig them when they lack Roosevelt and Keynes'-type regulations — had he (and his followers) seen — and understood — that famous 1940's film "My Little Chickadee". In this film a character, when talking about

⁴¹ See also Solimano and Pollack (2006) for the remarkable ownership-concentration in the Chilean Stock Market.

money, states "If a thing is worth having, it's worth cheating for";⁴² to add the crucial line in the film latter: when a man asks him if the card game he is playing [poker] is a game of chance, he replies, "Not the way I play it, no."

So, as it has often been the case, rather than from Hayek's delusional market idealisation, what is happening today in LA could be straight out of a García Márquez 'magical-realist' novel: the dominant classes are quite happy to let the dominated ones govern, provided that they do not forget who they are. That is, they finally understood Adorno: domination is more effective if it delegates the [...] violence on which it rests to the dominated (see epigraph). For both élites this is a win-win situation: while this weird environment has greatly helped the capitalist élite to re-legitimise itself beyond their wildest imagination (making it possible for them to regain the necessary power and control to accumulate with little 'market compulsions' and a minimal need for open coercion), it has also greatly helped the managerial left both to regain at least some of their lost powers and privileges, and to construct a relatively effective 'solidarity state' — and military governments have become *démodé*.

The key proposition of this paper is that all this is also causally linked to the ideological emptiness of the Latin American mainstream left following the 'post-doomsday date' scenario — when LA's capitalism, far from of collapsing like a house of cards (as so obsessively predicted), gained instead a new and powerful lease of life. The failure of the post-Cuban-Revolution "all or nothing"-type political struggle meant that as "all" was clearly not possible, many ended up believing that the only viable political alternative to "nothing" was an effective agenda of safety-nets.⁴³ When all progressive hope had been beaten out of the 'new-left', an agenda of 'safety-nets' was all what was left...

As their previous analytical work had been characterised by an *unremitting critique of the economy*, once the mainstream left conceded the economy as the fundamental hub of the struggle, there was little else left in terms of basic ideological principles to hold onto in a thoughtful way. Basically, they must have felt that by 'surrendering the economy', they lost not just some but *all* their progressive ideological relevance.

From this point of view, the problem with many 'dependentistas' was not just related to how factual matters were increasingly revealing their internal analytical inconsistencies; it was also about the emotional energy that most of them had invested in the idea that peripheral capitalism was about to collapse, and the symbolic meaning that they began to attach to the almost 'inevitable' arrival of socialism in the region. Not surprisingly, many threw in the towel after the predicted doomsday date had passed. Worse still, some not only lost their previous absolute certainties, but moved from one type of absolute beliefs/certainties to another type of absolute beliefs/certainties — perhaps simply not to lose their balance, they held on to their previous development

⁴² Voltaire once said "It is forbidden to kill; therefore all murderers are punished unless they kill in large numbers [...]. In terms of global financial markets, the current version of this idea is "It is forbidden to commit fraud; therefore all fraudsters are punished unless they commit fraud on a large scale.

⁴³ Some people still think that in Venezuela or Argentina something radically different is supposed to be happening, but so far in both cases the most effective achievement is also an agenda of safety-nets — this wasn't the way things were supposed to play out! For an analysis of Venezuela, see DiJohn (2008).

strategies and policies, but in their exact opposite version. In the meantime, the world moves on, and Asia forges ahead! That is, an important part of the Latin American left was simply seduced by the next available (ideological) religion — 'TINA'. The end result of all of this, as Chomsky has argued, is that 'progressive intellectuals' have ended up as the guardians at the gates of the orthodoxy.⁴⁴

What we have today in LA is the combination of an insatiable capitalist elite, a captured and unimaginative 'progressive' political élite, passive citizens, and a stalled social imagination. One could add that we also have a bunch of neo-comrades who (as Ortega y Gasset analysed as a regional trait) are rather pleased with themselves. Only a few 'critical doctrinaires' whine – particularly from their comfortable tenured positions in universities far away! Why can these "anticapitalistas trasnochados" (stale anti-capitalists) not understand that life is so much simpler when one succeeds in transforming 'delving deeply into the surface of things' into an art form?

In short, was President Lula right when he suggested that the emergence of the 'new left' in Brazil was just "a positive sign in the evolution of the human species," or is Francisco de Oliveira right when he claims that the 'new left' 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?⁴⁵

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. 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. Now, for how long will they 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?⁴⁶

I do not think it would be an exaggeration to say that no other event in peacetime LA has succeeded in achieving such a powerful 'rebound effect' as the advent of this all-powerful and remarkably *tyrannical* neo-liberal ideology — nor has any other been able to succeed in constructing such a dominant power structure; one with the same remarkable capabilities for politically-debilitating the majority of the population (especially the 'dangerous classes' and the progressive intelligentsia) via heightening risks and insecurities, as for generating such attractive personal and political rent-seeking opportunities for so many in the left — as well as for those in their 'intellectual periphery' — who are prepared to acquiesce.

Such powerful sticks and seductive carrots, combined with the (mistaken) conviction that due to events at home and abroad progressive ideas have lost *all* their ideological relevance, proved to be a lethal ideological cocktail for the left. As a result,

⁴⁴ <http://www.zmag.org/znet/viewArticle/18257>.

⁴⁵ For Lula's speech, see above quote in FOLHAONLINE 2 May 2008; and for Oliveira, see (2003). The platypus is a semi-aquatic mammal (found in Eastern Australia) that still lays eggs and suckles its young.

⁴⁶ On this issue, see especially Žižek (2008).

not only did progressive change come off the political agenda of the 'official' left, but also (as mentioned above) LA's mainstream socialism mutated from a 'dangerous movement' to becoming the capitalist elite's best friend. In this process the dominant classes are only too happy to let the dominated ones govern, provided that they do not forget who they are; as a result, the Latin American critical tradition in the social sciences has become practically extinct — and with it, the region's social imagination has virtually stalled.

What happens today in post-structuralism and post-dependency-LA shows (yet again) that many intellectuals, especially when working without a proper social and political base, can be fickle and can easily turn for the next set of fashionable beliefs on their horizon to continue with their preferred business: providing a worldview and a theoretical legitimacy to it.

Appendix 1: Structuralism

The main root of Latin American structuralism was French economic structuralism (see Blankenburg, Palma and Tregenna 2008). Perroux (1939), for example, who was the main intellectual influence in Furtado's early work, including his doctoral dissertation at the Sorbonne, defined 'structural economics' as the science of the relations characteristic of an economic system (ensemble) situated *in time and space*. Central to this approach was the view that, over and above the 'givens' of neoclassical economics (preferences, resources and technology), the analysis of the evolution of *institutions* and *structures* over time had to be at the heart of economic analysis. One of the innovative contributions of Perroux concerns his theory of "domination", which became central to ECLAC's conception of economic systems: rather than being constituted by relationships between equals, the economic world was conceptualised in terms of hidden or explicit relationships of *force* and *power* between dominant and dominated entities.

From the very beginning ECLAC's analysis was structuralist in the sense that it viewed the world economy *as a system* within which the centre and the periphery were intrinsically related, and that most economic problems of the periphery, such as slow productivity growth, stop-go macroeconomics, inflation, and unemployment were associated to the specific economic structure that emerged from that interaction — one that was characterised mostly by a weak manufacturing sector and a backward agriculture for the domestic market. ECLAC's analysis was also structuralist in the sense that it tried to focus on *underlying* structures and relationships, as opposed to epiphenomena.

The hub on which the whole of ECLAC's analysis of underdevelopment turned was the idea that the *structure of production* in the centre and in the periphery differed substantially. That of the centre was seen as *homogeneous* and *diversified*; that of the periphery, in contrast, as *heterogeneous* and *specialised*. Heterogeneous because economic activities with significant differences in productivity existed side by side, with the two extremes provided by a 'modern' export sector, and a subsistence agriculture. Specialised because the export sector, which is concentrated upon a few unprocessed primary products, represented a high proportion of GDP and had very limited backward and forward linkages with the rest of the economy. It was this structural difference that lay behind the different function of each pole in the international division of labour; and within this framework there were few (if any) *endogenous* forces in the periphery that might have led its structure of production in time to become more *homogenous and diversified* — i.e., one with both a more dynamic manufacturing sector, and a more vibrant domestic agriculture.⁴⁷ Thus the interrelationship between centre and periphery could not be understood in static terms since it was part of a single system, dynamic by its very nature.⁴⁸

⁴⁷ Perhaps influenced by previous Keynesian analysis of inflation in India, inelastic supplies of agricultural wage-goods were at the core of ECLAC's theory of inflation. See Noyola (1957); Sunkel (1960); Seers (1962); and Pinto (1968).

⁴⁸ For a comprehensive analysis of structuralism, see Rodríguez (2006), and the corresponding chapter in this Handbook; for 'dependency analyses', see Palma (1978). See also, Blankenburg, Palma and Tregenna (2008); Cardoso (1974); Cardoso and Faletto (1979); ECLAC (1963); Furtado

The nucleus of ECLAC analysis was the critique of the conventional theory of international trade — as expressed in the Heckscher–Ohlin version of Ricardo’s theory of comparative advantages. It aimed to show that the international division of labour which conventional theory claimed to be ‘naturally’ produced by comparative advantages was of much greater benefit to the industrial centre than to the commodity-exporting periphery — i.e., in these matters, the ‘invisible hand’ was neither invisible nor even-handed!⁴⁹ From this starting point, ECLAC analyses three structural tendencies which are considered inherent to the development of the periphery: unemployment, external disequilibrium, and the tendency to deterioration of the terms of trade (see especially Rodríguez, 2006).

i).- Due to structural heterogeneity, ECLAC argued that full employment of the labour force could only be achieved if the rate of capital accumulation in the modern sector was sufficient not only to absorb the growth of the active population, but also to reabsorb labour displaced from the traditional sector. It is from this heavy burden on the modern sector that the structural tendency towards unemployment was originally deduced.

ii).- As the structure of production in the periphery was excessively specialised, a substantial proportion of the demand for manufactured products had to be oriented towards imports; and given their high income elasticity, imports would tend to grow much faster than national income. The opposite was the case in the centre vis-à-vis its imports from the periphery, as these consisted essentially of unprocessed primary products, for which income elasticity is usually less than unity. Therefore, the growth of income in the periphery that is sustainable from its balance of payments point of view would inevitably be one that is lower than that of the centre (at least in the medium-term) — and one that is lower in proportion to the degree of the disparity between the respective income elasticities of demand for imports. If the periphery attempted to surpass this limit, it would expose itself to external disequilibrium, stop-go macroeconomics and increasing foreign indebtedness. Thus (given its consumption preferences), the only long-term alternative to slow growth and an ever-increasing foreign debt would be a greater effort to satisfy the highly income-elastic demand for manufactured products with domestic production, and to try to diversify exports towards more income-elastic products (à-la-East Asia).⁵⁰ In turn, domestic production of these types of goods should set in motion a growth-enhancing process of cumulative causation. Only a proper process of industrialisation, and of modernisation of agriculture, given these assumptions, could enable the periphery to enjoy a fast (and sustainable) rate of growth of real income, and one that was not so highly constrained by its higher income elasticities of demand for imports.

(1970); Palma (2008a); and Taylor (2004).

⁴⁹ For ECLAC, Ricardian international comparative advantages mostly opened up attractive opportunities to technologically-advanced economies — something that they were quite happy to exploit (see also Cimoli, Dosi and Stiglitz, 2009a).

⁵⁰ The irony, of course, is that while many in East Asia were actually doing this almost by instinct (following the example of Japan), in LA there was an ever increasing amount of debates and analyses about the necessity of doing this — but little ‘compulsion’ for their domestic industrial bourgeoisies to actually do something about it!

iii).- Finally, for ECLAC the tendency towards deteriorating terms of trade, and the asymmetries in terms of gains from specialisation which it brings with it, are a logical analytical deduction from the phenomena of specialisation and heterogeneity. The basic problem is the effect of economic growth on the terms of trade. Following the issues discussed above, as the periphery grew both its *consumption* and the *production* paths were (and are today even more) biased towards trade (see Palma, 2008a). That is, as incomes grew there was a trend for the proportion of importables in total consumption to increase; and as output grew, the same was the case for the proportion of exportables in domestic production. However, in the centre both the consumption and the production paths would tend to be less biased for trade vis-à-vis the periphery; in the case of the former, low price and low income elasticities for most primary products would be the main reasons, and in the latter, phenomenon such as economies of scale would tend to reduce the primary-commodity content in final output.

As both the consumption, and the production paths of the centre would tend to be less biased for trade vis-à-vis the periphery — the consumption one due to low price and low income elasticities for most primary products, and the production one due mostly to economies of scale reducing the primary-commodity content in final output. The combined effects of both trends would be a tendency towards a systemic overproduction of primary products. Hence the tendency towards deterioration of the terms of trade of the periphery.

A further component of this phenomenon of asymmetries in terms of gains from specialisation was the fact that the periphery exported 'homogeneous' products (commodities that are normally sold in spot-markets), while the centre exported 'heterogeneous' ones — from which all sort of *rents* could be extracted both in the product, and in the factor markets.

In sum, the key idea of structuralism was that supply curves in the periphery had the 'wrong elasticities': they were highly-elastic where this was not necessarily to its advantage (commodity-exports), and they were inelastic where high-elasticities would have been greatly beneficial for sustainable growth and low inflation (manufacturing and agricultural production of wage-goods).⁵¹

However, according to ECLAC — and as opposed to the current gloom of the "resource curse" brigade, and of so many related 'pessimistic' hypotheses — commodity-rich countries could escape from these asymmetries through a process of structural transformation of their economies. The central element in this was a process of industrialisation, which would require a faster rate of accumulation, higher domestic production of income-elastic importables, and (eventually) more income and price elastic exportables. But this process could not be expected to take place *spontaneously*, for it would be inhibited by both the international division of labour which the centre would

⁵¹ Many have misunderstood this, arguing that structuralism was just about the latter part of the asymmetry — i.e., just about 'supply-inelasticities'. Furthermore, as the typical narrowness of mainstream economics could only let those working from this approach see policy mistakes as the cause of these inelasticities, a critique of structuralism from this perspective inevitably argued that although structuralists were able to identify some of the key growth-constraints of the periphery, they were greatly mistaken in their policy recommendations. See for example Little (1984).

attempt to impose, and by a series of structural obstacles internal to the peripheral economies. Consequently, what was needed were both a process of vigorous state-led industrialisation, and a rapid modernisation of non-export agriculture (by, for example, a process of land redistribution).

Appendix 2: The Analytics of Dependency Studies

The general focus of all 'dependency' analyses is the study of the (supposed intractable) obstacles to capitalist development in the periphery from the point of view of the interplay between 'internal' and 'external' structures. However, this interplay was analysed in several different ways. With the necessary degree of simplification that every classification of intellectual tendencies entails, I would distinguish between three major approaches in *dependency* analysis (not mutually exclusive from the point of view of their intellectual history). First is the approach begun by Baran, Sweezy and Frank; its essential characteristic being that dependency was seen as *causally* linked to permanent capitalist underdevelopment (see Baran, 1957; Baran and Sweezy, 1966; and Frank, 1967). The second approach is associated with one branch of the ECLAC Structuralist School, especially Furtado, Pinto and Sunkel. These writers sought to reformulate the classical ECLAC analysis from the perspective of a critique of the obstacles to 'national' development (see ECLAC, 1963). The third and final approach, tried (but seldom succeeded) in explicitly avoiding the formulation of mechanico-formal theories of underdevelopment based on its 'dependent' character, concentrating instead on what was called the study of 'concrete situations of dependency'. In the words of Fernando Henrique Cardoso:

The question which we should ask ourselves is why, it being obvious that the capitalist economy tends towards a growing internationalisation, that societies are divided into antagonistic classes, and that the particular is to a certain extent conditioned by the general, with those premises we have not gone beyond the partial – and therefore abstract in the Marxist sense – characterisation of the Latin American situation and historical process. (1974, pp. 326-7, my translation).

i).- Dependency as a theory of the *inevitability* of capitalist underdevelopment

The 'father' of this approach to 'dependency' was unquestionably Paul Baran. His principal contribution (1957) took up the view of the Sixth Congress of the COMINTERN regarding the supposedly irresolvable nature of the contradictions between the economic and political needs of imperialism and those of the process of industrialisation and development of the periphery. To defend its interests, international monopoly capital would form successful alliances with pre-capitalist domestic oligarchies intended to block progressive capitalist transformation in order to have continuous easy access to cheap peripheral resources. The traditional elites, in turn, would be able to maintain traditional modes of surplus extraction and monopoly on power. Within this context the possibilities for economic growth were extremely limited, as the surplus was largely expropriated by foreign capital, or otherwise squandered by traditional oligarchies. The only way out was political. At a very premature stage, capitalism — as it had actually evolved in the

periphery — had become a fetter on the development of the productive forces and, therefore, its historical role had been successfully blocked, and had already come to an early end.

Baran developed his ideas influenced both by the Frankfurt School's general pessimism regarding the nature of capitalist development and by Sweezy's proposition (following Habermas, and Joan Robinson) that the rise of monopolies imparts to capitalism a tendency towards stagnation and decay. He also followed the main growth paradigm of his time, the Harrod-Domar theory, which held that the size of the investable surplus was the crucial determinant of growth (together with the efficiency with which it was used — i.e., the incremental capital-output ratio).

Starting out with Baran's analysis, Frank attempted to prove the thesis that the only solution was a revolution of an immediately socialist character. For our purposes we may identify three levels of analysis in Frank's model of the 'development of underdevelopment'. In the first (arguing against 'dualistic' models), he attempted to demonstrate (quite successfully) that the periphery had been integrated into the world economy since colonial rule. In the second, he attempted to show (this time quite *unsuccessfully*) that such incorporation had transformed the countries in question immediately into *capitalist* economies. Finally, Frank tried to prove that this integration was achieved through an interminable metropolis-satellite chain, through which the surplus generated at each stage was successfully siphoned off towards the centre (see Frank, 1967).

However, Frank never even bothered to define what he meant by 'capitalism'; he simply affirmed that, since the periphery was never 'feudal', and since it had always been incorporated into the world capitalist system, then it must follow that it had been 'capitalist' from the beginning of colonial times. It is not surprising, then, that this analysis leads Frank to displace class relations from the centre of his analysis. Although it is evident that capitalism is a system where production for profits via exchange predominates, the opposite is not necessarily true: the existence of production for profits in the market is not proof of the existence of capitalist relations of production. For Frank, it is a sufficient condition; thus he develops a circular concept of capitalism. In turn, for him it is capitalism (and nothing else but capitalism), with its metropolis-satellite relations of exploitation, which has produced underdevelopment. The choice was clear: continuing endlessly to under-develop within this emasculated capitalism, or an immediate move towards a socialist revolution. Under these circumstances, "[...] to support the bourgeoisie in its already played-out role on the stage of history is treacherous [...]." (1967, p. xvii).

As mentioned above, in my opinion the real value of Frank's analysis is his critique of the supposedly dual structure of peripheral societies. Frank shows convincingly that the different sectors of the economies in question are, and have been since early in their colonial history, in one way or another linked to the world economy. Moreover, he has correctly emphasised that this integration into the world economy has not automatically brought about economic progress, as would have been predicted by 'optimistic' models — derived from Adam Smith and early works of Marx (such as those on India) — in which such integration would *inevitably* set in motion a process of capitalist transformation, including increased division of labour and sustained

productivity growth.⁵² Nevertheless, Frank's error (shared by the whole tradition of which he is part, including Sweezy and Amin) lies in his attempt to explain this phenomenon by using the same economic deterministic framework of the model he purports to transcend. In fact, he merely turns it upside-down: the development of the 'core' necessarily requires the underdevelopment of the periphery — and somehow the former would always manage to succeed in its objectives.⁵³

Basically, I would argue that the theories of dependency examined here are mistaken not only because they do not 'fit the facts' — as capitalism was certainly developing LA's forces of production at the time (see below) —, but also because their mechanico-formal nature renders them both static and ahistorical. Their analytical focus has not been directed to the understanding of how new forms of capitalist development have been marked by a series of *specific* economic, political, and social contradictions. Instead they are directed only to asserting the claim that capitalism had lost, or in fact never had, a historically progressive role in the periphery in all times and places.

Regarding 'fitting the facts', as mentioned above, while the authors discussed above were busy writing about the intrinsic incapacity of peripheral-type capitalism to develop the productive forces in LA, productivity per hour worked was growing at a rate that had no precedent in the region, and has had no continuity ever since.

ii).- Dependency as a reformulation of ECLAC's structuralist analysis

Towards the middle of the 1960s ECLAC's structuralist approach suffered a gradual decline. The process of import-substituting industrialisation (ISI), although delivering productivity growth and industrialisation, seemed to aggravate other problems (instead of alleviating them), such as those of the balance-of-payments. Income distribution was also worsening in several countries (especially Brazil). The problem of unemployment was also growing more acute, in particular as a result of increased rural-urban migration (due to the failure of domestic agriculture to modernise). And industrial production was becoming increasingly concentrated in products typically consumed by the elites, and

⁵² In his article on the 'Future Results of British Rule in India' (1853), Marx argues that English imperialism will not be able to avoid the industrialisation of India: "when you have once introduced machinery into the locomotion of a country which possesses iron and coal you are unable to withhold it from its fabrications". Kierman is probably right when he states that "So far as can be seen, what he [Marx] had in mind was not a further spread of Western imperialism, but a proliferation of autonomous capitalism, such as he expected in India and did witness in North America" (1967, p. 183). For a discussion of this issue, see Palma (1978). An important issue to keep in mind in order to understand, at least in part, the differences between Marx writings on India (1850s) and those of many 'dependentistas' on LA (1960s) is the divergence in terms of technological paradigms in each period. See especially Pérez (2002) for an illuminating analysis of how each of these two technological paradigms opened up totally different options for capitalist development in the periphery.

⁵³ Although Frank did not go very far in his analysis of the world capitalist system as a whole, of its origins and its development, Wallerstein tackled this challenge in two remarkable books (1974 and 1980). The central concerns of Frank are analysed in many works; among those not already quoted, see Kay (2011); and Palma (2008c). The most thoroughgoing critiques have come from Laclau, Cardoso, Lall, Warren, Brenner, and Palma.

was not having enough 'ripple effect' upon other productive sectors, and not many manufactures were exported (see Furtado, 1970).

Also, ISI developed an anti-learning bias; most Latin American manufacturing firms had contracts with foreign companies in which they imported the technology but could not change anything; and whenever possible, machinery and parts also had to be imported. Brazil may have already produced a million cars in the early 1970s, but there was no Hyundai in sight! Basically, rigid protection and relatively small domestic markets produced incentives towards horizontal diversification; there were more rewards from developing new products than from improving the productivity of what was already developed. In this sense, ISI had not really developed an 'infant industry' rationale in the sense that its logic was not one of temporary protection to help firms get to the frontier and become internationally competitive. In this sense, there was a 'double play'; the manufacturing industry that emerged from ISI was relatively fragile (which would make it very difficult later for it to adjust to the new post-1980 paradigm), but what was being developed around ISI proved to be growth-enhancing in the long run (see especially Pérez, 2008).

This apparently gloomy panorama led to substantial ideological changes among many influential ECLAC thinkers, and it strengthened the convictions of the 'dependency' writers reviewed earlier. The former were faced with the problem of trying to explain some of the unexpected consequences of their policies; the latter tried to deny with the greatest possible vehemence the possibility of any type of dependent capitalist development.

Also, by making a basically ethical distinction between 'growth' and 'development', ECLAC's dependency analysis followed two separate lines, one concerned with the obstacles to economic growth, and the other concerned with the perverse character taken by local 'development'. As suggested before, the fragility of this formulation lies in its inability to distinguish between a socialist critique of capitalism and the analysis of the actual obstacles to capitalist development.

iii).- Dependency as a methodology for the analysis of concrete situations of development

Briefly, this third approach can be summarised as follows. First, in common with the two other approaches, this one sees LA as an integral part of the world capitalist system, in the context of the increasing internationalisation of the system. It also argues that some of the central dynamics of that system lie outside the peripheral economies and that the options open to them are, to a certain extent, limited by the development of the system at the centre. In this way the 'particular', to some extent, is inevitably conditioned by the 'general'. Therefore, a basic element for the analysis of these societies is given by the understanding of the 'general determinants' of the world capitalist system and of its different processes of globalisation — which have themselves changed rapidly. The analysis therefore requires an understanding of the contemporary political and economic characteristics of the world capitalist system, and of the dynamics of its transformation.

Thus, for example, this approach was quick to grasp the significance of the rise of the multinational corporations in the 1960s, which was progressively transforming centre-periphery relationships. As foreign capital became increasingly directed towards manufacturing industry in the periphery, the struggle for industrialisation, which was previously seen as an anti-imperialist struggle, at least in some cases became the goal of foreign capital. Thus dependency and industrialisation ceased to be *necessarily* contradictory processes, and a path of 'dependent development' became clearly possible.

Second, this third approach tried to enrich the analysis of how developing societies are structured through unequal and antagonistic patterns of social organisation, showing the asymmetries and the exploitative character of the system, and their relationship with the socio-economic base. This approach has also given importance to the diversity of natural resources, geographic location and so on, thus also extending the analysis of the 'internal determinants' of capitalist development.

However, — thirdly — while these characteristics are important, the most significant feature of this approach is that it attempted to go beyond these elements, and insisted that from the premises so far outlined one arrives only at a *partial, abstract and indeterminate* characterisation of the historical process in the periphery, which can only be overcome by understanding how the 'general' and 'specific' determinants interact *in particular and concrete situations*. It is only by understanding the specificity of 'movement' and change in the peripheral societies as a dialectical unity of both these 'internal' and 'external' factors that one can hope to understand the particularity of social, political and economic processes in these societies.

Only in this way can one explain how, for example, the same process of mercantile expansion could *simultaneously* produce systems of slave labour, systems based on other forms of exploitation of indigenous populations, and incipient forms of wage labour. What is important is not simply to show that mercantile expansion was the basis of the transformation of most of the periphery, and even less to deduce mechanically that that process made these countries immediately capitalist. Rather, this approach emphasises the specificity of history and seeks to avoid vague and abstract concepts by demonstrating how, throughout the history of backward nations, different sectors of local classes allied themselves or clashed with foreign interests, organised the state in different forms, sustained distinct ideologies, or tried to implement various policies or defined alternative strategies to cope with imperialist challenges in diverse moments of history.

The study of the dynamic of dependent societies as a dialectical unity of internal and external factors implies that the conditioning effect of each on the development of these societies can be separated only by undertaking a static analysis that would have to separate almost metaphysically the two sides of the opposition. Equally, if the internal dynamic of the dependent society is a particular aspect of the general dynamic of the capitalist system, it does not imply that the latter produces concrete effects in the former, but only that it finds *concrete expression* in that internal dynamic. The system of 'external domination' reappears as an 'internal phenomenon' through the social practices of local groups and classes, who share the interests and values of external forces. Other internal groups and forces oppose this domination, and in the concrete development of these contradictions the specific dynamic of the society is thus

generated. It is not a case of seeing one part of the world capitalist system as 'developing' and another as 'under-developing', or of seeing imperialism and dependency as two sides of the same coin, with the dependent world reduced to a passive role. Instead, in the words of Cardoso and Faletto,

We conceive the relationship between external and internal forces as forming a complex whole whose structural links are not based on mere external forms of exploitation and coercion, but are rooted in coincidences of interest between local dominant classes and international ones, and, on the other hand, are challenged by local dominated groups and classes. In some circumstances, the networks of coincident or reconciliated interests might expand to include segments of the middle class, if not even of alienated parts of working classes. In other circumstances, segments of dominant classes might seek internal alliance with middle classes, working classes, and even peasants, aiming to protect themselves from foreign penetration that contradicts their interests. (1979, pp. 10-11).

There are, of course, elements within the capitalist system that affect all developing economies (DCs), but it is precisely *the diversity within this unity* that characterises historical processes. Thus the analytical focus should be oriented towards the elaboration of concepts capable of explaining how the general trends in capitalist expansion are transformed into specific relationships between individuals, classes and states, how these specific relations in turn react back upon the general trends of the capitalist system, how internal and external processes of political domination reflect one another, both in their compatibilities and their contradictions, how the economies and politics of peripheral countries are articulated with those of the centre, and how their specific dynamics are thus generated.

However, as is obvious, it is not at all clear why this third approach to the analysis of peripheral capitalism should be restricted to — or even labelled as — *dependency* analyses; so (fortunately) it has outlived their demise.

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