21. The dependency school and its aftermath: why Latin America's critical thinking switched from one type of absolute certainties to another

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Domination is more effective if it delegates the . . . violence on which it rests to the dominated. (Theodor Adorno 1974)

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. (Sigmund Freud 1908)

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 1908)

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 neoliberalism 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 conceptualizing feasible alternatives. As a result, not even the (relatively small) Latin American left that has so far resisted the neoliberal tsunami has been able to generate a new (post-structuralism or post-dependency) tradition of critical thought. Hence, the neoliberal 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 Volcker at the Federal Reserve (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

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happened in the rest of the world post-1980, both developed and developing. One could even argue that (despite recent sparks of interest in an ever more obscene inequality),[1] 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 World War II 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 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.[2]

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 marginalized academic enterprise. In other words, the Iberian world, lacking the objective incentives, has not generated in its social sciences the remarkable creativity found (in its past and present) in its paintings, sculptures, music, theatre, literature or films.[3] As in the past the 'Siglo de Oro', with its flourishing arts and literature, had no counterpart in the social sciences, the recent past is no exception. 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

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[1] See especially Piketty (2014); see also Palma (2016).

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

[3] Another Ibero-American cultural forte is law. Given the importance of a rather inefficient administrative apparatus, the omnipresence of law professionals, and the channelling of much political and policy debate through legal and constitutional debates and reforms has been another trait of Ibero-American culture.

tendency to use reality as a mirror for self-contemplation, rather than as a subject for critical analysis and progress' (Ortega y Gasset 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 means to demonstrate publicly their personal status, and as a sign of power and influence, rather 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, a crucial contribution to the unusual dynamism after the Second World War of LA's social sciences was the impact of a non-Iberian European immigration. This immigration was in general different from previous ones in that it comprised a large number of intellectuals, including many Jewish academics escaping Nazi persecution. Another input was 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 is 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 a socialist revolution should evolve organically on the basis of local conditions and practices, not as the result of mechanically applying European formulae. This, of course, is also extremely relevant to the issue of the sustainability of 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.

THE EMERGENCE OF STRUCTURALISM AND DEPENDENCY ANALYSES

After World War II, 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 'underdevelopment'; that is, a growing realization 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 industrialized 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 to revitalize them by fostering those economic activities with the externalities and the spillover 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 role for the state and the emerging industrial bourgeoisie in how to get there, while dependentistas called for a new form of agency in the form of a more radical and visionary political leadership from the left.[4]

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 organizations. In fact, it is no accident that one of its most creative sources (structuralism) developed, of all places, among United Nations (UN) bureaucrats (the United Nations Economic Commission for Latin America and the Caribbean – 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 from, of all places, 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).

Structuralism — and the economics of 'Uneven Development'

The main root of Latin American structuralism was French economic structuralism (see Blankenburg et al. 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 conceptualized 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 characterized mostly by a weak manufacturing sector and a backward agriculture for

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

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 specialized. 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. Specialized because the export sector, which is concentrated upon a few unprocessed primary products, represented a high proportion of gross domestic product (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 in time have led its structure of production to become more homogenous and diversified – that is, one with both a more dynamic manufacturing sector and a more vibrant domestic agriculture.[5] 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.[6]

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; that is, in these matters, the 'invisible hand' was neither invisible nor even-handed.7 From this starting point, ECLAC analyses identified three structural tendencies which are considered inherent to the development of the periphery: unemployment, external disequilibrium and the tendency towards deterioration of the terms of trade (see especially Rodríguez 2006).

First, 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.

Second, as the structure of production in the periphery was excessively specialized, 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

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[5] 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).

[6] For a comprehensive analysis of structuralism, see Rodríguez (2006) and Chapter 11 by Cimoli and Porcile in this *Handbook*; for 'dependency analyses', see Palma (1978). See also Blankenburg et al. (2008), Cardoso (1974), Cardoso and Faletto (1979), ECLAC (1963), Furtado (1970), Palma (2008a) and Taylor (2004).

[7] 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 et al. 2009).

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). 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 industrialization, and of modernization 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.

Third and finally, for ECLAC the tendency towards deteriorating terms of trade and the asymmetries in terms of gains from specialization which it brings with it are a logical analytical deduction from the phenomena of specialization 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, phenomena such as economies of scale would tend to reduce 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 specialization 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 (exports of unprocessed commodities), and they were inelastic where high elasticities would have been greatly beneficial for sustainable growth and low inflation (manufacturing, including the processing of commodities, and agricultural production of wage-goods).[8]

[8] Many have misunderstood this, arguing that structuralism was just about the latter part of the asymmetry; that is, just about supply inelasticities. See, for example, Little (1984).

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 industrialization, which would require a faster rate of accumulation, higher domestic production of income-elastic importables and (eventually) more income- and price-elastic exportables including commodities with manufacturing value added. 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 attempt to impose, and by a series of structural obstacles internal to the peripheral economies. Consequently, what was needed was a process of vigorous state-led industrialization, and a rapid modernization of domestic agriculture (by, for example, a process of land redistribution).

The limits of economic structuralism: the politics 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. 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. 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, and nor, as a result, on the manner in which they interact.

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 concrete 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 criticized from sections of the left for failing to denounce sufficiently the mechanisms of exploitation within the capitalist system and for criticizing the conventional theory of international trade only from 'within'.

ECLAC analysis re-emerged in academic circles in the 1980s as an attempt to re-examine (and formalize) 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.

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). 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 attempting 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; that is, 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 industrialization. The local state and the 'national' bourgeoisie appeared as the potential leading agents for 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 outside of ECLAC there began to develop the other two major approaches to this analysis.

The analytics of dependency studies

The general focus of all 'dependency' analyses is the study of the (supposedly 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

[9] Broad popular fronts emerged from the anti-fascist struggles favoured by the Seventh Congress of the Comintern.

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; 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) to explicitly avoid 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 internationalization, 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 – characterization of the Latin American situation and historical process. (Cardoso 1974, 326–327, my translation)

Dependency as a theory of the inevitability of capitalist underdevelopment The father of this approach to dependency was unquestionably Paul Baran. His principal contribution (Baran 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 industrialization 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.

Starting out with Baran's analysis, Frank attempted to prove the thesis that the only solution was a revolution of an immediately socialist character (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 underdevelop 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' (Frank 1967, xvii).

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.

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 industrialization (ISI), although delivering productivity growth and industrialization, 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 modernize. Industrial production was becoming increasingly concentrated in products typically consumed by the elites and 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 1 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.

Dependency as a methodology for the analysis of concrete situations of development Briefly, this third approach can be summarized as follows. Firstly, in common with the other two approaches, this one sees LA as an integral part of the world capitalist system, in the context of the increasing internationalization 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 globalization – 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 industrialization, which was previously seen as an anti-imperialist struggle, at least in some cases became the goal of foreign capital. Thus dependency and industrialization ceased to be necessarily contradictory processes, and a path of 'dependent development' became clearly possible.

Secondly, this approach tried to enrich the analysis of how developing societies are structured through unequal and antagonistic patterns of social organization, 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 characterization 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.

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 underdeveloping, or of seeing imperialism and dependency as two sides of the same coin, with the dependent world reduced to a passive role.

There are, of course, elements within the capitalist system that affect all developing economies, but it is precisely the diversity within this unity that characterizes 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 polities 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 approach to the analysis of peripheral capitalism should be restricted to – or even labelled as – dependency analyses; so (fortunately) it has outlived their demise.

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 per cent 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 United States (US) during this period: the corresponding rate for the latter was only 2.2 per cent 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 trebling it; that is, 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 2015).

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.[10] The confusion between these two totally different aspects of the analysis (perhaps the most salient aspect of Marx's work is that he never fell into this populist trap) has been perhaps the trademark of much left-wing critical thinking since Lenin opened the floodgates to this type of analysis with his 1916 pamphlet (and it 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 almost exclusively, 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 characterized 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

[10] Analysis and ideology are indissolubly mixed; see Hugh Stretton (1969).

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 neoliberal reincarnation to justify a similar survey article (as my 1978 one), 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 2014 is just 0.1 per cent p.a. in real terms. If the difficult 1980s are excluded, this average is still below 1 per cent p.a. (see GGDC 2015). And what critical literature does exist tends to concentrate mostly on important but rather specific issues, such as the urgent need to reintroduce some form of 'market-friendly' trade and industrial policies, 'prudent' capital account regulations, more growth-enhancing macros (that is, with reasonably competitive exchange rates and 'softer' monetary policies), and increased investment in human capital and technological innovation and absorption.[11]

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 (unprocessed commodities, retail and finance) have failed to do the same. As a result, on aggregate, gross domestic product (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. Not surprisingly (for those who still attach relevance to this statistic), average total factor productivity (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 minds 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 nineteenth-century Russia; see Palma 1978) on trying 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 precondition 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

[11] See, for example, the papers collected in Ocampo (2005) and Ocampo and Ros (2011). In this area see, for example, the work of Carlos Díaz-Alejandro, Fernando Fajnzylber, Ricardo Ffrench-Davis, Roberto Frenkel, José Antonio Ocampo, Carlota Pérez and (the honorary Latin American) Lance Taylor.

the problem with the members of those cults is always the same: what are you supposed to do the day after the predicted doomsday date has passed? Especially when in Latin America 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 neoliberal reforms in advanced countries and the surprisingly successful post-Berlin Wall new process of relegitimization of capital. The region's oligarchy in particular gained a new lease of political life characterized by a degree of political and ideological hegemonic control not seen in the region since before World War I.

The notion that this new lease of life for capitalism in LA has so far not been particularly dynamic – in terms of productivity growth in most countries of the region perhaps the most disappointing ever since they could possibly be categorised as 'capitalist' – (Palma 2010) does not change the fact that capitalism did get a new lease of life when it was supposed to collapse: 'subprime' 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 industrialization 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.[12] As a result, the new lease of life of Latin American capitalism has been characterized 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 privatizations.[13] Not surprisingly, this faltering process of accumulation has brought not only 'premature deindustrialization', 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-energized 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 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 consideration of the real possibility that the struggle for socialism in post-Cuban Revolution LA might yet prove to be a rather long, intricate and, in general, pretty uncertain affair. And

[12] Consequently, the manufacturing industry was decimated; see Bresser-Pereira (2013), Tregenna's Chapter 38 in this *Handbook*, and Palma (2005, 2008b, 2013a).

[13] For the many shady privatizations in the Chilean case, see especially Monckeberg (2001); see also Palma (2013b).

for structuralists, an example of such an idea would have been the realization that the emerging ISI industrial bourgeoisie was quite happy to appropriate all forms of rents created by the state with its 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 over 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 characterized a particular intolerant neoliberal 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 neoliberal, 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).[14]

However, even if a significant part of dependency analysis was eventually hijacked by fundamentalist beliefs, the post-war Latin American critical tradition did have a great deal of critical creativity, especially in the way in which it tried to articulate many of its inputs (French structuralism, the German Historical School and Keynesian macroeconomics) with Latin American economic and political realities.[15] 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 the 'global' dogmatic left-wing thinking which characterized 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 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 its 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.

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

[15] Cardoso (1977) once called this 'the originality of the copy'.

As Marx had warned 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' (Marx 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.

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, 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: neoliberalism of the type embodied in Mrs Thatcher's favourite slogan: 'There is no alternative'.

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 or movement to becoming the capitalist elite's best friend – especially so of that famous top 1 per cent? The two Socialist parties in Chile, the Workers' Party in Brazil (and the African National Congress, ANC, in South Africa) are the paradigmatic cases.[16] 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

[16] 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).

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 modernization 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, and so on. 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 unusual history to do with the specificities of Japanese colonialism – this has proved very difficult to organize politically (see Khan 2000).

The 'new left' in LA is characterized 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.[17] 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 and the nature of the Latin American 'progressive' intelligentsia.[18] 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 globalization, 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 summarize the nature of these transitions to democracy in LA is that implicit in them 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. And almost before anybody could notice, the 'new left' became converted to the four key dogmas of neo-liberal thinking.[19]

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[17] 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 (1974), had a peculiar characteristic: 'Today the appeal to newness, of no matter what kind, provided only that it is archaic enough, has become universal'.

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

[19] i) Anything that happened before the neo-liberal reforms was wrong, inefficient and populist; ii) once the reforms have been implemented, any further problem could only be solved by more neo-liberal reforms — otherwise, this was a problem that had no solution; iii) the only role of economic policy is to generate

The main point I am making here is that this transformation of these 'urgent necessities' into policy and then into ideology (of the neoliberal 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 neoliberal economic model?

In other words, following Sartre's concept of '*mauvaise foi*' (bad faith),[20] 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.

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 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' (that is, 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. That is, while the former wishes to construct a future that is the exact opposite of a demonised past, the latter tries to build a future that is a replica of an idealised past. 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 popular discontent.

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, as suggested above, it would not be an exaggeration to say that they are as much so 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: that is, 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 characterized by high tariffs, strict capital controls, strong presence of the state as a direct producer, public investment as high as two

'credibility'; 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).

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

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 privatization of everything that moves in the public sector, low levels of public investment (since 1980, public investment has not averaged more than 3 per cent 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 characterized by a combination of an insatiable top 1 per cent, a captured 'progressive' political elite (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 popular discontent (especially from students). 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), Organisation for Economic Co-operation and Development (OECD) economies are ever more geriatric, and Asia forges ahead.

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 reform; 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).

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.[21] But, whatever the reason for this perennial ideological rigidity, what we find in LA in the last 30 years (as the subtitle of this chapter indicates) is 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 résumés. 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).

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[21] See, for example, Palma (2010, 2011).

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'.

No doubt all this has an element of pragmatism, which is necessary for political survival everywhere. But there is nothing like automatism as a force towards the giving up, little by little, and almost without noticing, of 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 happened not only at the level of ideas but also at a politico-institutional level; 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).

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 neoliberalism 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.

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 neoliberalism 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 (and remarkably mobile . . .). The neoliberal 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 to legitimize 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. 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 the ANC's in 1994 – a capacity to transform that was also very much wasted.

I sometimes wonder whether the brand of neoliberalism bought by the 'new left' in LA is just shorthand for 'nothing left to decide'; and, of course, 'nothing left to think about critically'. Indeed, the 'new left's attitude towards neoliberal economics today resembles Lord Kelvin's attitude towards physics at the end of the nineteenth century, when he declared that 'there is nothing new to be discovered in physics now. All that remains is more and more precise measurement' (Kelvin 1900).

Of course, there is a real world out there, and the radical left is certainly not known for its capacity to construct practical alternatives. But why did the managerial left have to move all the way to a 'subprime' neoliberal understanding of the world in order to be able to construct a practical alternative 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 were therefore 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, neoliberalism, 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 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'; that is, 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 neoliberalism would least steer towards that original aim.[22]

What seems to be peculiar to LA is that when the 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 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.[23]

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 – just an attempt to masquerade newly-acquired 'beliefs' as if they were 'ideas').

And LA's 'new left' has proved to be remarkably effective in the implementation of their upside-down hegemony; according to the *Wealth Report* (2014), in the last ten years no other main region in the world has created so many millionaires (that is, 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. For example, 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 (that is, the two periods of Lula and one of Dilma) dollar millionaires (as above), centa-millionaires and billionaires increased by 273 per cent, 274 per cent and 256 per cent, 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 elite.' In fact, it took Lula (of all people) 5 years as President to make his first visit to a favela.

The bottom line, as Freud (1908) reminds us (see the epigraph), is that in LA today it is again equally true that one should not be so appalled at these kinds 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

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

[23] 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).

accurately his remarks would define 'new left' governments in office in LA today. As it has turned out, both Keynesian-style liberalism and neoliberalism 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 (where FDR stands for 'Franklin Delano Roosevelt') and Keynesianism as a result of the disruptive effects of a crisis-ridden unregulated capitalism; post-1980 neoliberalism as an attempt to return power and control to their 'rightful owners' (capital).

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 cross 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' (Hirschman 1982, 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 Latin Americans 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.

CONCLUSIONS

You have 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 (including export diversification). And now, in the new century, their process of relegitimization 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 about critically – 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 or 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 (that is,

not counting tax evasion), the top 1 per cent – including retained profits, but excluding capital gains – happily appropriates about one-third of national income (32.8 per cent – in Korea this is just 12 per cent; for the Chilean data see López et al. 2013); and all this in a democracy (maybe a low-intensity one, but democracy nonetheless), and in one that prides itself on 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 per cent it gets even worse: the top 0.1 per cent of taxpayers now gets one-fifth of the national income (19.9 per cent – in Korea this is only 4.4 per cent), and the top 0.01 per cent – corresponding to individuals belonging to just 300 families – gets more than one-tenth of the total (11.5 per cent – in Korea this is just 1.7 per cent).[24] Perhaps the greatest irony of them all is that neoliberalism was originally advertised as 'the alternative' to the (Roosevelt–Keynesian) 'road to serfdom' (Hayek 1944); a contender for the *Guinness Book of Records* section on 'delusional discourse'.

Chile's remarkable inequality after more than four decades of uninterrupted neoliberal 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 the 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 (that is, how rigged it is when it comes to the issue of rewards for effort and skills). 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.

So, as it has often been the case, rather than from Hayek's delusional market idealization, 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 (1974): 'Domination is more effective if it delegates the . . . violence on which it rests to the dominated' (see the epigraph). For both elites this is a win–win situation: while this weird environment has greatly helped the capitalist elite to relegitimize themselves beyond their wildest imagination (making it possible for them to regain the necessary power and control to accumulate with few 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

[24] See also Solimano and Pollack (2006) for the remarkable ownership concentration in the Chilean Stock Market.

lost powers and privileges, and to construct a relatively effective 'solidarity state' – and (so far) military governments have become *démodé*.

The key proposition of this chapter 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 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 agenda of safety-nets.[25] When all progressive hope had been beaten out of the 'new left', an agenda of safety-nets was all that was left.

As their previous analytical work had been characterized 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 had lost not just some but all of their progressive ideological relevance.

From this point of view, the problem with many dependentistas was related not just 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 and certainties to another type of absolute beliefs and certainties; perhaps simply not to lose their balance, they held on to their previous development strategies and policies, but in their exact opposite version. In the meantime, the world (with its new technological and institutional paradigms) 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.[26]

What we have today in LA is the combination of an insatiable capitalist elite, a captured and unimaginative 'progressive' political elite, 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

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[25] 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 – and not even this has proved to be sustainable; this was not the way things were supposed to play out. For an analysis of Venezuela, see DiJohn (2008).

[26] http://www.zmag.org/znet/viewArticle/18257.

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?[27]

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?[28]

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 neoliberal 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 workers 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, 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. The economic performance of LA since the implementation of economic reforms may be highly disappointing, but the success of its politics confirms that while its economics is hocus-pocus science, its technologies for social control are some of the most effective ever. In fact, the process of re-legitimation of capital, and (from a Darwinian point of view) their capacity for creating an artificial economic environment most suited to those features that capital has and others do not, has been so successful that it has actually had the effect of 'closing the imagination' of both the traditional and new left to conceptualising feasible progressive alternatives – one that would be appropriate to the new technological paradigm and world order, and not be (in one way or another) still stuck in long gone past.

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 to the next set of fashionable beliefs on

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[27] For Lula's speech, see above quote in *FOLHAONLINE* 2/508; and for Oliveira, see (2003). The platypus is a semi-aquatic mammal (found in Eastern Australia) that lays eggs and suckles its young.

[28] On this issue, see especially Žižek (2008).

their horizon to continue with their preferred business: providing a worldview and a theoretical legitimacy to it.

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