

The two moments of developmentalism and the equality question

Latin–Amerikanisches Institut
Berlin, November 12, 2012

Luiz Carlos Bresser–Pereira
www.bresserpereira.org.br

Plan

1. Crisis of ec liberalism – p vacuum and transition
2. What should we expect? Developmentalism?
3. The theory of history behind: Class coalitions x class struggle.
4. The state defining the model of capitalism.
5. Defining the developmental and liberal states
6. The mercantilist, the Japanese–Asian & Latin–American developmental states
7. New developmentalism
8. Comparing growth policies
9. Comparing macroeconomic policies
10. The equality question



Comparing development strategies

Liberal orthodoxy	Old developmentalism	New developmentalism
1. Economic development depends on optimal resource allocation.	It depends on the transference of labor from low to high value added industries.	The same.
2. No role for the nation in economic development.	Central role for the nation.	The same. Globalization makes the nations still more strategic
3. The state is supposed to keep the budget balanced and guarantee property rights.	Leading role for the state in obtaining forced savings and in making investments.	The state is supposed to create investment opportunities, invest, and regulate markets.
4. The country is supposed to export commodities (comparative advantages)	Import substitution industrialization.	The country is supposed to export manufactured goods.
5. No role for industrial policy.	Industrial policy is central, but asked also to neutralize the Dutch disease.	Industrial policy required, but not confused with macroeconomic policy.
6. Supports the growth with foreign savings.	Supports the growth with foreign savings, because assumes a foreign constraint.	Rejects foreign constraint. Growth with domestic savings.
7. Increased economic inequality favors growth	It should not, but authoritarian regimes leave no space for distribution.	Being countries democratic social developmentalism is required.

Chart 2: Comparing macroeconomic policies

Liberal orthodoxy	Old developmentalism	New developmentalism
1. Macro policy to control inflation.	Macroeconomic policy to control inflation and effective demand.	Macro policy to assure additionally a competitive exchange rate around industrial equilibrium.
2. No complacency towards inflation.	Relative complacency towards inflation.	Relative complacency towards inflation. But does not see it as the main macroeconomic problem.
3. One target – one instrument tenet.	Several targets and multiple instruments.	Idem.
4. Floating exchange rate	Fixed exchange rate	Floating but fully managed exchange rate
5. Accept chronic current account deficits.	Idem.	Defend current account surpluses when the country faces Dutch disease.
6.		
7. Full rejection of budget deficits.	Mixed attitude in relation to budget deficits.	Rejection of To add to the control of the budget the control of the current account.

Luiz Carlos Bresser–Pereira
Emeritus Professor of Economics and Politics
of Getúlio Vargas Foundations
bresserpereira@gmail.com
www.bresserpereira.org.br

