

Neoliberalism, necessitarianism and alternatives in Latin America: there is no alternative (TINA)?

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ABSTRACT Taking as its point of departure the position that there are or must be alternatives to neoliberalism, this article explores the issue in relation to some examples from Latin America. The 2001–02 virtual collapse of the economy of Argentina and the recent victory of Workers Party candidate, Lula, in Brazil highlight, in very different ways, the need for a viable alternative democratic economic strategy for Latin America. Many progressive analysts seem to be paralysed by a false ‘necessitarianism’ which grants more coherence and solidity to the neoliberal project than it merits. Argentina puts paid to that illusion. Will the exciting experience of Porto Alegre’s ‘participatory budget’ in Brazil now be scaled up to the national level or does ‘globalisation’ block this option? Do the old questions of imperialism and dependency now come to the fore again after being left dormant under the spell of globalisation? We may not have all the answers yet but Latin America is back in the foreground of thinking and practice around alternative economic theories.

There is no alternative (TINA) was an oft-repeated expression of Margaret Thatcher’s, used to dismiss any plausible alternatives to her brand of hard-nosed neoliberalism. One imagines that her friend General Pinochet, with whom she shared tea during his enforced stay in London, would agree with her. What is more surprising is the influence the TINA philosophy has had on social science analysis of neoliberalism in Latin America since Pinochet. What I propose is a radically anti-necessitarian approach to neoliberalism, inspired by the work of Roberto Mangabeira Unger. Things are not always how they are because they have to be so. There is life beyond neoliberalism. There are alternatives taking shape all the time at all levels of society in Latin America. The so-called Washington Consensus is no longer so consensual even in Washington and there is growing recognition that globalisation requires global governance. We therefore need to return to the rise of neoliberalism and globalisation in a non-necessitarian spirit and examine the whole horizon of possibilities that is now opening up in Latin America as elsewhere. If the virtual collapse of Argentina in 2001–02 shows that ‘actually existing’ neoliberalism simply does not work even

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on its own terms, the exciting but also challenging prospects now opening up in Brazil under Lula underline the urgency of developing a credible and viable alternative to its policies.

La pensée unique

For Alain Touraine, 'France is the birthplace of the obsessional idea that we are in thrall to the famous *pensée unique*, to which both right and left have apparently rallied (Touraine, 2001: 1). This paradigm has tended to disable social and political organisation for transformation by preaching the all-knowing and omnipotent mechanisms of the free market. For the neoliberal advocates of *la pensée unique*, market forces should be allowed free rein in society and economic globalisation should be encouraged to spread this process across the world. The left, for its part, has on the whole tended to see a certain degree of inevitability in the way in which economic *Pinochetismo*, Thatcherism and Reaganism developed in the 1980s, as though they were somehow inscribed in history. It is as if neoliberalism and globalisation have dissolved our capacity for social mobilisation and political transformation. Thus neoliberalism became a very limited horizon of possibilities in the 1980s in most parts of the globe, not least in Latin America. The 'Chicago Boys' in Chile and Martínez de Hoz in Argentina pioneered this 'one right way' philosophy on the back of a merciless repression of social activism and of oppression of the whole of society.

The story of the rise and triumph of neoliberal ideas in Latin America is fairly well known (see Brieger, 2001; Smith *et al*, 1994). The military dictatorships in Chile after 1973 and in Argentina after 1976 launched the turn towards neoliberalism for largely 'internal' reasons, namely the need to defeat a real or perceived popular insurgency. Then, at various points in the mid-1980s, this turn was further facilitated by an 'external' factor, namely the international shift towards the free market under the guise of 'globalisation'. The latter served somehow to 'naturalise' neoliberalism, making it seem inevitable, part of the 'onward march of history' as it were and, by the 1990s, it was unchallenged by any other overall alternative world-view such as national development, let alone socialism. What Pinochet revealed, in his brutality, was the totally contradictory nature of the so-called 'neoliberal paradox'. As Norbert Lechner puts it, 'a successful economic liberalism presupposes an active intervention by the state to carry out such reforms' (Lechner, 1999: 22). Much later, in the post 1997 era of Tony Blair's New Labour, this paradox was not so apparent. Nevertheless this was probably so as to be able to globalise neoliberalism better, not less, much as prison was a more effective tool of repression than the scaffold, as Foucault (1977) has argued. By this stage 'globalisation' had itself been so naturalised anyway that it could be called on as an 'objective' and inevitable limit on what nation-states could achieve or not in terms of economic policy.

Of course, neoliberalism did not spring fully formed from the heads of the Chicago Boys, as seems to be implicit in some of the more conspiratorial or necessitarian and practically timeless or ahistorical views of their rise to prominence (see Centeno & Silva, 1998). A complex political and discursive process led to that conjuncture and much transformation has also occurred in the

years since then of course. The internal–external dialectic of neoliberalism’s implementation is by no means clear and varies from country to country. Nor should we ignore more specific contexts, such as the need to find a coherent policy response to the Latin American debt crisis in the 1980s. The perceived, and to a large extent real, failure of the previous inward-orientated model, also played a key, but variable, role in facilitating the emergence of the ‘new economic model’ (see Bulmer-Thomas, 1996). Another critical factor was the transition towards democracy in the second half of the 1980s and its consolidation in the 1990s. There was a quite successful ideological operation at play that linked the neoliberal economic policies then spreading across the continent with the needs of democratic governance. Since then the notion of economic ‘reform’ has become synonymous with ‘opening up’ the market and driving back the state, rather than with income redistribution or agrarian reform as in the 1960s and 1970s. This is, then, a complex story and not one reducible to the ‘triumph’ of neoliberal ideas as portrayed in much of the critical as well as triumphalist literature.

An economic reading of the neoliberal story necessarily focuses on the technical aspects such as the problems with protectionism, the causes of inflation and the best way to achieve full employment. A traditional history of ideas approach would, on the other hand, simply miss the plot by ignoring the political aspects of all these issues. Yet we should not ignore the critical importance of the *discursive* terrain on which neoliberalism achieved undisputed hegemony in the 1980s. Whatever controversies continued to rage in the margins of that terrain, there was a remarkable consensus achieved. As Biersteker concludes in his account of the neoliberal story: ‘the terms of discourse reflect a significantly changed acceptance of market mechanisms and a shift in public–private relations in the direction of greater support for (and increased reliance on) the private sector’ (Biersteker, 1995: 178). The ‘magic of the market’ would sweep away all the obstacles to economic growth. For a whole period this belief was simply not questioned, it was taken for granted and it was seen somehow as natural. There was, indeed, no alternative. Or so it seemed to many commentators.

Neoliberalism in Latin America even began to gain a certain degree of social and political support that had been originally lacking. It gained legitimacy, above all, because it provided (or seemed to) macroeconomic stability and because of the undoubted ‘demonstration effect’ of the consumer boom. However, by 1997 the Inter-American Development Bank (IDB) could write about *Latin America after a Decade of Reforms* (Inter-American Development Bank, 1997) and ponder whether it had all been ‘all pain and no gain’. For the Bank the answer was that Latin America’s economies ‘present a disturbing and paradoxical picture ...Macroeconomic imbalances have been corrected...Practices of government intervention have been dismantled...Nevertheless, the economic results are unsatisfactory...Unemployment rates have risen...Income distribution remains worse than in any other region of the world’ (Inter-American Development Bank, 1997: 31). As we shall see, even as it became consolidated, the neoliberal model had lost its original messianic fervour, its success was far from assured. Before proceeding further with this story I take a brief methodological detour.

Against necessitarianism

As Karl Polanyi put it, writing about the first wave of economic liberalism in the 19th century, ‘there was nothing natural about *laissez faire*; free markets could never have come into being merely by allowing things to take their course ...*laissez faire* was enforced by the state’ (Polanyi, 1957: 139). Much the same could be said about the neoliberalism of the 1970s and 1980s, whatever its propagandists may have said. It is ironic, I think, that neoliberalism and globalisation have as many of their true believers on the left of the political spectrum as on the right. Whether it was Pinochet’s economic model or the globalisation revolution, the left tended to over-homogenise, over-simplify and over-determine these processes. For Touraine, globalisation has been popularised by the left, precisely ‘to justify the preservation of the traditional forms of the administered economy on the grounds that it is impossible to create new forms of social controls on the economy’ (Touraine, 2001: 17). The way out of neoliberalism is now being desperately sought in most countries but we can be sure that it does not lie in a return to the past.

There is much in Roberto Mangabeira Unger’s wide-ranging political philosophy that could help us to develop a more nuanced perspective on economic liberalism than the rather ‘necessitarian’ approach which I believe prevails. Against what he calls the ‘mythical history’ of democracy, for example, Unger asks us to recognise how many of the economic and political institutional arrangements of democracy are accidental or at least socially constructed. Against the ‘deep-structure’ theorists who find hidden causes for all political phenomena, he shows the limitations of a ‘structure fetishism’ which denies that we can change our formative contexts. Against all kinds of necessitarian assumptions lying behind much social and political analysis (especially that influenced by traditional forms of Marxism) Unger aims ‘to break loose from a style of social understanding that allows us to explain ourselves and our societies only to the extent we imagine ourselves helpless puppets of the social worlds we build and inhabit or of the lawlike forces that have supposedly brought these worlds into being’ (Unger, 1997: 7). But history can be surprising and social (re)invention can occur even in the most unlikely of circumstances.

In an earlier debate around the ‘impasse’ in development theory there was also a sense that much of the progressive or alternative development theorising was ‘necessitarian’ and lacked the fluidity to pose real alternatives to the status quo (see Booth, 1985). Radical development theory, like much radical analysis of neoliberal globalisation today, suffered from what Unger calls the symptom of ‘false necessity’, with its heavy dose of determinism and belief in law-like forces governing society. For Unger, on the contrary, ‘the institutional arrangements of contemporary society are the outcomes of many loosely connected sequences of social and ideological conflict rather than of irreversible and determinate functional imperatives, driving forward a succession of indivisible institutional systems’ (Unger, 1998: 24). In a spirit of democratic experimentalism, taking us beyond the reform/revolution dichotomy of the traditional left, we can explore the alternative pluralisms that always exist within society and in the political arena. Applied to the struggle for a future beyond neoliberalism, this range of

ideas and theories may assist in a more productive set of debates than those engaged in by the traditional 'critique' school.

The anti-necessitarian line of thought could also be usefully pursued by (re)considering the contribution made by Karl Polanyi towards the end of World War II to our understanding of the first 'great transformation' carried out by the Industrial Revolution (Polanyi, 1957). Today, as we witness the 'Globalisation Revolution' carrying out a second 'great transformation', based on the principles of neoliberalism we could do worse than explore the contradictions of the first liberalism. In Polanyi's view: 'Regulation and markets, in effect, grew up together. The self-regulating market was unknown, indeed the emergence of the idea of self-regulation was a complete reversal of the trend of development' (Polanyi, 1957: 68). In other words, neither in the 19th or the twenty-first century can the notion of a self-regulating market be considered as somehow 'natural'. Indeed, according to Polanyi's famous 'double movement': 'while on the one hand markets spread all over the face of the globe...on the other hand a network of measures and policies was integrated into powerful institutions designed to check the action of the market relative to labor, land and money' (Polanyi, 1957: 76). Societal reaction to protect itself from the unfettered effects of the free market detected by Polanyi is, in effect, the form that counter-hegemony movements take on the international scale.

This may help us understand why today the World Bank pursues globalisation vigorously but also, at the same time, proclaims that 'institutions matter'. In language that George Soros, financial speculator turned caring sociologist, would understand well (Soros, 2000), Polanyi argued that, while the first wave of globalisation 'gave an unparalleled momentum to the mechanism of markets, a deep-seated movement sprang into being to resist the pernicious effects of a market-controlled economy' (Polanyi, 1957: 76). What it means essentially is that society must perforce protect itself against the destructive effects of an unregulated market economy, a tendency even more valid for the era of neoliberalism than it was for the era of liberalism. The notion of a self-regulating market on a world-scale, as conceived by the early gurus of neoliberal globalisation, is simply inconceivable and unachievable. It is thus necessary to examine 'actually existing' neoliberalism and not its textbook formulations. Likewise, we need to understand the long journey this capitalist ideology has taken from its *Pinochetista* to its 'Blairista' days. It is only in the dark that all cats look black.

High roads and low roads

Critics of the status quo often tend to over-homogenise that which they criticise. So, for example, the 'varieties of capitalism' school (eg Coates, 2000) is a useful corrective to any analysis which rests on an assumption that capitalism is capitalism. In our case it would be useful to delve into the growing literature that suggests there might be a 'high road' as well as a 'low road' to what we call globalisation. Korzeniewicz and Smith advance the proposition that 'embryonic and fragmentary efforts are already underway in Latin America that make it possible to visualise a "high road" to economic growth, hemispheric integration and globalisation' (Korzeniewicz & Smith, 2000: 29). The funda-

mentalist tenets of the Washington Consensus are now being openly questioned in the corridors of economic and political power. The problem of inequality is not swept aside quite so hastily, the state is no longer summarily dismissed and the market is not adored quite so uncritically. For the progressive critics to continue to focus on the 'low road', as though Pinochet still ruled OK, would be a mistake, if this analysis is correct.

Certainly, both the 'high road' and the 'low road' are heading in the direction of globalisation but this does not mean that there is no difference between them. Pinochet is not the same as Chile's democratically elected President Lagos and free market fundamentalism is not the same as 'growth with equity', as promoted by the Chilean neo-structuralists (see Sunkel, 1993) long before it was taken up by the World Bank and others. To a certain degree these Latin American debates are part of the broader international debates on the 'Third Way'. Of course, we could simply declare 'against' the Third Way, like Alex Callinicos (2001), or for that matter 'against' globalisation, but it may be more useful to engage with what these movements and ideologies have to say and their possible effects. Basic consensus around the efficiency of market mechanisms should not mask the considerable debate around the 'appropriate mix of state and market regulation' (Korzeniewicz & Smith, 2000: 21) for example. Nor can we ignore the growing chorus of powerful and influential figures within international capitalism who warn of the effects social and political unrest could have on the new democracies. Of course, by the late 1990s all was not well in the house of globalisation, as various East Asian economies, including the once revered (or demonised) Japanese model began to appear distinctly unhealthy. In Latin America Mexico, which took on the favoured 'Eastern' mantle after that region faded has since begun to look rather fragile in terms of globalisation star turn (see Hart-Lansberg, 2002).

The extent to which critics still choose to battle with straw people is quite remarkable. In the globalisation debates many continue to engage with the hyper-globaliser Kenichi Ohmae (see, for example, Ohmae, 1990) but one cannot help feeling that if he did not exist he would have to be invented by the critics of the globalisation paradigm. The same is the case with neoliberalism in Latin America, with many critics assuming that the Washington Consensus is still alive and well. Yet the Inter-American Development Bank was openly debating how to move 'Beyond the Washington Consensus' (Burki & Perry, 1999) after quite some years of internal debate. By 1998 the region's leaders had met at Santiago and forged a new 'Santiago consensus', an expression coined, significantly, by the president of the World Bank. There was a widespread feeling that democratisation needed to be consolidated and that, beyond the first generation neoliberal 'reforms', there was now a need to focus on the social and institutional agenda of the region. Beyond the bland new slogan that 'Institutions matter' (Burki & Perry, 1999) lay, I believe, a recognition that the neoliberal revolution was storing up major social problems for the consolidation of democracy in the region.

Within the broader globalisation debates (which have largely subsumed those around economic liberalism) there has also been a decisive shift 'beyond' the Washington Consensus, even in the mainstream. Thus James Wolfenson, the

President of the World Bank, declared in 1998 that ‘if we do not have greater equity and social justice, there will be no political stability and without political stability no amount of money put together in financial packages will give us financial stability’ (cited in Higgott, 2000: 131). The talk now is not about how the market can manage itself but of how ‘governance’ needs to be improved. The post-Washington Consensus has responded to the backlash created by the financial collapses in Latin America, Russia and East Asia in the latter part of the 1990s. The spectre of a global meltdown following the events of 11 September 2001 put further pressure on the agents of economic internationalisation to attend to the needs of global governance if their profitability is to be sustainable. As Higgott (2000) puts it, we need only ponder the shift from the buzzwords of deregulation, liberalisation and privatisation to those of civil society, social capital and transparency to realise that something is afoot in the corridors of power.

Perhaps the best way to encapsulate the high road/low road distinction is in terms of the difference between dictatorial Chile and democratic Chile. While some on the left argue for an essential continuity in terms of political economy between these two models, I tend to agree with Manuel Castells, for whom it is very important that:

[we distinguish between] two opposed models of development: one closer to Pinochet’s Chile, based on absolute exploitation of population and devastation of the environment, to support cut-throat competition in external markets; or a different one, close to that of democratic Chile in the 1990s, linking up external competitiveness, social well-being, and expansion of the internal market, on the basis of redistribution of wealth and stepped up technological/managerial modernisation. (Castells, 1996: 132).

While we may wish to question elements of this analysis I do think it is preferable to an unthinking repetition of the truism that in the dark all cats are black: this simply robs us of the power to be discriminating and, ultimately I believe, of the point of even attempting to chart a more democratic and sustainable future than that offered by neoliberal globalisation.

Argentina endgame

At the end of 2001 Argentina entered a phase of its history that looked very much like a meltdown, confirming the worst fears that globalisation would create ‘black holes’ down which countries and even regions would disappear if they could not make it under the new rules of the global free market. This story can be interpreted in many ways: I take it to indicate a failure of the neoliberal recipe for Latin America as prescribed by the International Monetary Fund (IMF) but I do not also see it as the start of a great uprising insofar as no credible alternative political economy has emerged from the *débat*. The one-time success story of the IMF recipe for Latin America was declared bankrupt at the end of 2001. The people, including Argentina’s once affluent middle class, were in the streets and President de la Rúa was forced to flee Government House in a helicopter. In the last two weeks of the year Argentina saw five interim presidents come and go

until in January 2002 Eduardo Duhalde, a Peronist *caudillo* (boss) took over and set about picking up the pieces. What had happened? What does it mean for the IMF-sponsored neoliberal prescription? Is this the endgame for Argentina?

When the Peronist president Menem came into office in 1989 it was following a bout of hyperinflation that had caused widespread panic. There was considerable support across society, therefore, when he pegged the peso to the dollar through the famous Law of Convertibility. This was followed by a wholehearted endorsement of the IMF line for Latin America with a full-scale privatisation of state assets and a complete opening of financial markets. The then Foreign Minister aptly called this a 'carnal embrace' with the USA. Inflation was brought down and foreign investment flowed in. All seemed for the best in the best of all possible worlds. However, by the mid-1990s the economy began slipping into recession and the government could not expand the supply of money to boost economic activity. Unemployment mounted, foreign investment declined and the appreciation of the US dollar left the peso seriously overvalued. President de la Rúa took office in 2000, in coalition with a left-wing grouping the FREPASO (although their Vice President soon departed). He was pledged to combat Menem's open corruption, but in terms of economic policy it was inevitably more of the same, as 'stability' was not only the economic goal but the heartfelt aspiration of society as a whole. De la Rúa even brought back Menem's finance minister, Domingo Cavallo, to carry on with the same failed remedies in a vain attempt to stave off collapse.

Matters came to a head towards the end of 2001 when De la Rúa imposed severe restrictions on personal withdrawals from the bank as the national dollar reserves dwindled. The banks, forewarned on an imminent default on the foreign debt and a devaluation of the peso, had already sent abroad some \$1550 million. In the week before Christmas the people took to the streets. The pickets of the unemployed, who had been blocking highways for some years in protest, were now joined by the middle class savers, with their banging of pots and pans in the famous *cacerolazos*. This outpouring of popular anger, outside the channels of the political parties, was met with repression. Twenty-eight people were killed and hundreds injured. Amnesty International and even the Pope were to condemn these events. De la Rúa was forced to resign but no credible government alternative existed. There was a genuine crisis of governability in Argentina. Eventually, Eduardo Duhalde, who had been governor of Buenos Aires province, emerged as a semi-credible leader in the New Year. Argentina inevitably defaulted on its foreign loans and the peso was delinked from the US dollar. Strict financial controls were imposed but the peso soon fell to a 2:1 and eventually, by the end of the year, a 3.5:1 rate to the US dollar.

Many commentators, some less expected than others, immediately saw in the Argentina crisis a problem for the IMF's credibility. Argentina had, after all, been a star pupil. Joseph Stiglitz, renegade ex-World Bank chief economist, blamed the IMF for forcing an austerity programme on Argentina in the middle of a recession. The pro 'free market' magazine *Forbes*, more surprisingly, declared that the new government in Argentina should sue the IMF for 'malpractice and negligent homicide'. For mainstream economist Paul Krugman, 'Argentina's crisis is a US failure' (2002). For others, on the left, the case of Argentina simply

proves, once and for all, the failure of IMF policies to establish the basis for long-term economic growth in low-income countries (see McEwan, 2002). While the IMF recipe may well cut inflation and also attract foreign investment it cannot generate stable sustainable growth and inevitably brings growing inequality in its wake. From this perspective, Argentina shows most clearly what is at stake, for example in US policy towards China. The imperialist project is designed to capture the emerging capitalist markets and the value that can be generated there. This is done, as so patently seen in Argentina, with the connivance of the local economic elites who can use the new free capital markets to transfer their assets abroad safe from social revolt.

There is, however, another side to this story, one which lies in the political decomposition in Argentina itself. If the economic elites tie their fate to that of global neoliberalism, they begin to disengage from the national territory they live in. At present it is clear that there is neither an economic nor a political elite that is taking responsibility for the country. Argentina is still a potentially wealthy country but it appears to be paralysed now that it has lost out in the globalisation race, in which not everyone necessarily wins. While at first the USA and the IMF were relatively sanguine about the crisis in Argentina, that has all now changed. The banks had got their money out in time and this IMF default was not going to spread as Mexico's had in 1992. However, by the time the World Economic Forum met in New York in February 2002 Argentina was top of the agenda. If President Duhalde continued his critique (later muted) of the IMF policies, what might be its effect on forthcoming elections in Latin America? What if Brazil's electorate chose the Worker's Party to govern that huge country (as they did of course)? If Argentina, which had followed the 'new economic model' so slavishly, could go into economic meltdown, what credibility for US-driven economic policies now?

What happens next is obviously an open question and speculation will, almost certainly, backfire. In the short term there is basically a struggle between the people and the banks over who will carry the cost of devaluation. At first Duhalde promised that the banks would carry a share of the cost but the powerful banking lobby soon got that decision reversed. On the other side of society, popular mobilisation has continued, culminating in a huge march on the capital in mid-February (and a week-long set of nation-wide mobilisations for the anniversary of the 'uprising' at the end of 2002). The long-mobilised pickets of the unemployed marched on the capital from the outlying industrial belts and as they came into the centre they were met by the middle class *cacerolazos* (pots and pans being banged) who joined the march. A slogan went up: 'Piquete y cacerola: la lucha es una sola' (picket and saucepan: the struggle is one). The IMF, for its part, whose December 2001 withholding of a \$1.23 billion loan precipitated the crisis, agreed in February 2002 to a possible \$15 billion credit line. Support from Argentina's neighbours in the Mercosur (crucially including Brazil) has been forthcoming and points towards some sort of recovery, possibly with an increased 'regional dimension', although the IMF will definitely be discouraging this along with any other 'heterodox' policies.

In the longer term I think we are moving towards the possible national and social disintegration of Argentina. As with other countries in the era of

globalisation, Argentina has become a market more than a nation. There is no longer a national project of any sort in Argentina, for all of President Duhalde's pale echoes of the old Peronist nationalism when dealing with a popular audience. The disintegration of society under the aegis of neoliberalism has been occurring since at least 1989. With an official poverty rate now surpassing 50% of the population, social exclusion is now jeopardising the minimal social cohesion a nation needs to survive. The collapse of the health and educational systems has now become quite visible. While the decade of dollar convertibility provided a semblance of stability to Argentina's decline, there is now the real prospect of hyperinflation, which would definitively destroy the political process. At present the status quo is one of 'stagflation' but worse could come. It is indicative that in early 2001 advertisements began to appear in the newspapers offering Argentina's embattled citizens favourable relocation terms to go to Israel's occupied territories on the West Bank.

Progressive alternatives

If Argentina shows the downside of neoliberal globalisation at its starkest, we need to consider whether in neighbouring Brazil a more hopeful scenario is not now opening up with the historic victory of the Workers's Party candidate Luis Inacio 'Lula' de Silva in the 2002 presidential elections. In a bold political statement calling for an alternative to neoliberalism, Ciro Gomes and Roberto Unger declared in the mid 1990s that '*Todo o Brasil reclama a falta de proposta e de alternativa*' (the whole of Brazil is complaining about the lack of proposals or alternatives) (Gomes & Unger, 1996: 17). But they admitted that, while the people want and need opposition, they have no faith in the opposition that exists. This is, as we shall argue, probably the main issue facing those seeking to articulate a progressive alternative to neoliberalism. Even as advocates and beneficiaries of this perspective/ideology/discourse begin to perceive the seams in this once seamless garment, the people still have confidence in it ('better the devil we know', etc). In this sense, politics is back in command and the ideologues of economic supremacy no longer hold sway over the discursive terrain. The main issues, in terms of the enduring popular credibility of the neoliberal economic project, are the heartfelt need for macroeconomic stability and the spectre of hyperinflation which caused so much devastation in the past.

Unger recognises clearly that what he calls the 'operative version' (my 'really existing') of neoliberalism enjoys a 'unity' that 'is social and political rather than narrowly economic and technical' (Unger, 1998: 58). However, this unity is seen as a negative consensus around disabling the state and disempowering government. Thus an alternative project to the dominant one of real neoliberalism would need to build a broad political alliance as well as to offer economic policies better able to carry out the productive revolution that the region needs. Raising the level of public and private savings is essential for Unger but, equally, so is the development of institutional arrangements which can channel this into productive investment, not into the global financial casino. To break with the dualism created or exacerbated by globalisation—between those integrated into the circuits of the 'new' capitalism and those who are not—is an economic issue but

also, of course, a task of massive social, political and cultural dimensions. The imagination of an alternative may be possible then, but what about its practical implementation?

Towards the end of 1997 an influential group of centre-left politicians and intellectuals (led by Unger and Mexico's soon to be elevated to Foreign Minister, Jorge Castañeda) issued the *Consenso de Buenos Aires* (CBA, 1997) intended as a full-frontal attack on the Washington Consensus. Monetary stability is therein recognised as a *sine qua non* ('bandera indeclinable'—unfurlable banner) and globalisation is basically taken for granted. From the Economic Commission for Latin America (ECLA) structuralist tradition are derived the need for endogenous growth and the truism that growth and welfare are not a zero-sum equation. Much emphasis is placed on the institutional arrangements necessary to achieve social regulation of the market, but then the IDB was also saying at the time that 'Institutions matter', as we saw above. In summary the CBA could be considered a realist social democratic alternative seeking to confront the social exclusionary processes inherent in neoliberal globalisation. It would seem that a reformist alternative to the status quo is possible; whether it is a revolutionary reform in Unger's terms, promoting further transformation, has yet to be seen.

In the cities of Brazil controlled by the Partido dos Trabalhadores (PT—Worker's Party) we have seen the germs of a progressive alternative to neoliberalism. The experience of Porto Alegre's 'participative budget' experiment since 1998 has attracted international attention, being dubbed 'an experience of direct democracy without parallel in the world' (Cassen, 1998: 3). In its rigour and breadth this is no cosmetic exercise in 'municipal socialism' and the nearly three-and-a-half million citizens of the urban district of Porto Alegre have come to appreciate its value. There is active popular engagement with budget priorities from education to transport, health to crime, which then feeds in transparently to the actual budget implemented each year. How this experiment in direct democracy meshes (or not) with representative democracy is an open theoretical and practical issue (see Baierle, 2002, for a sceptical view). With a participation rate of 60% the participative budget has certainly engaged the population and it has also, through its transparent mechanisms, proven a strong antidote to the corruption that once permeated local government. At the local level the example of Porto Alegre shows there is a possible alternative to *laissez faire* economics.

However, many are now asking how the Workers' Party can possibly govern Brazil in the era of neoliberal globalisation and retain any radical principles at the same time. Will Lula not just say the same as Tony Blair did when he assumed office, namely that his 'hands are tied' by globalisation and that the need to maintain Brazil's 'competitiveness' on the world market must take precedence over any social reforms that might be desirable but not practicable? Certainly, the negative example of Argentina loomed large during the electoral campaign with the anti-Lula forces saying that if he was elected, the same would happen in Brazil. Now many on the left are asking whether the Workers' Party will 'live up to its name' and deliver radical policies. From both sides we see misconceptions of what is necessary and possible for a socially progressive political economy in Brazil. The left's critique of Cardoso's government (see for example Rocha, 2002) had already set the tone with unrealistic expectations being placed on

progressive presidents. The fact is that Lula must govern having gained 91 (up from 58 in 1998) out of 513 deputies in the National Congress and 10 out of the 54 seats at stake in the Federal Senate. So, from the start the PT is not a hegemonic governing force. The case of Argentina shows the danger of national disintegration as the provinces of that country engage in a 'beggar thy neighbour' strategy in the midst of economic collapse. Brazil will probably display the dangers associated with inflated popular expectations of what can be achieved in terms of socioeconomic reform. As it happens the Workers Party has put forward a rational and progressive economic strategy and I believe this is not only to 'retain investors' confidence' or to 'placate Washington' (although these considerations may not be irrelevant, see Burgos, 2002). The Workers Party government plan recognises that the first challenge is to develop a 'less vulnerable economy' and to regain strong growth rates. It argues for the need to 'create a climate of stability' and to maintain control over inflation. Its first axis of development is the social and the second is 'strengthening the national economy'. Thus poverty eradication, dealing with unemployment and redressing the severe socioeconomic inequalities are placed first. Yet this is only seen as possible with a long-term strategic plan, and state planning is certainly given a key role, one that it never entirely lost in Brazil anyway. Urban regeneration and infrastructure development are seen as key in this regard. But, in explicit contrast to 1950s and 1960s developmentalism (*desenvolvimentismo*) this national development model is set in the context of improving national 'competitiveness' (PT, Programa de Governo, 2002). Of course there will be many changes to this bold manifesto, and no doubt backtracking, but this seems very much like a 'high road' type strategy and consonant with the Chilean neo-structuralists' call for 'growth with equity' (see Sunkel, 1995). In the Argentinian context Lula's declared intention to prioritise the Mercosur is also highly significant and by no means a minor regionalist gesture.

Current rather abstract academic debates on the 'politics of scale' (see Massey, 1992; Amin, 2002) could be usefully taken into the strategic and political arena to better conceptualise the parameters of the Lula government. It is probably not possible simply to 'jump scales' and follow a type of Porto Alegre participative budget policy writ large on the national scene. However, what is happening up and down Brazil in cities and in rural locations, in health policy and workplaces, will undoubtedly affect the national prospects for transformation. What Argentina shows as counter-factual is how fragile the left's grip on power can be and how easily it can slip into political oblivion when it fails to *govern*, as happened to the FREPASO coalition in Argentina in 2000–01. The issue of governability is thus crucial to Lula as it is generally in the era of globalisation and is not one that can be sacrificed to facile 'critiques' of reformism. What Argentina also highlights for Lula is the continued importance of the 'national question' and its forceful re-emergence under neoliberalism. As Jonathan Steele commented during the elections, the hostility and hysteria of the international capital markets in relation to Lula 'highlighted the crisis of sovereignty that lies at the heart of globalisation' (Steele, 2002). Brazil as a territorial state cannot be allowed to collapse as Argentina has, either through the forces of the right opposed to Lula or by imperial design, seeking to teach the periphery lessons, as was done with

Allende's Chile some 30 years ago. The importance of developments in Brazil is not lost on the rest of Latin America and in Argentina their outcome may be a matter of survival.

Return to the future

President F H Cardoso, when he was a radical sociologist, would reportedly say that dependency was what one called imperialism when one did not want to lose one's Ford Foundation grant. From his present perspective as an ex-president for 10 years, Cardoso hardly has a much more benign view of the world system (Cardoso, 2001). Of course, 'dependency' is no longer part of the academic debate but that does not mean that the issues which this perspective addressed in the 1970s are now somehow superseded or defunct (see Kay, 2001; Munck, 2000). Whether in relation to economic internationalisation or the role of the nation-state, the domain of culture or global security issues, the dependency problematic (if not 'theory') is still relevant. Taken in a non-necessitarian spirit, dependency is a live issue in Latin America today in the era of globalisation which can also be seen a polite euphemism for imperialism (see the special issue of *Latin American Perspectives*, 2002 on this issue). To embrace neoliberalism uncritically as though there never had been or never could be an alternative would be myopic in the extreme. Even the newfound concern of global governance institutions, such as the World Bank, with 'social exclusion' closely mirrors the previous turn of the century's concern with the 'social issue' that led to the modern welfare state.

Another broad theme which is being taken up again for the future, but which has also already been dealt with, is that of the 'double movement' of free market expansion and social regulation associated with the work of Karl Polanyi (Polanyi, 1957). For Polanyi, 'the organisation of world commodity markets, world capital markets, and world currency markets under the aegis of the gold standard gave an unparalleled momentum to the mechanism of the market' (Polanyi, 1957: 76). However, 'society protected itself against the perils inherent in a self-regulating market system' and from this double movement sprang the modern welfare state. As Marx had understood before him, Polanyi saw how revolutionary capitalism was as a world-wide mode of production, but also how dangerous it was even to itself, and how its sustainable growth required social regulation.

Polanyi thus speaks to the current debates on how to ensure social regulation over economic internationalisation of capital at the heart of the global governance problematic. This is, of course, doubly relevant in areas of the globe such as Latin America, which are almost totally dependent on the fortunes of the global system. Polanyi's ideas are also, of course, directly relevant to the critique of neoliberalism. First, 'there was nothing natural about *laissez faire*; free markets could never have come into being merely by allowing things to take their course' (Polanyi, 1957: 139). Then, as today in the era of neoliberalism, the road to the free market was cleared by massive state intervention at all levels. Second, Polanyi points to a feature of classical *laissez faire* which only becomes reality in the era of globalisation, namely that 'Nothing less than a self-regulating market

on a world scale could ensure the functioning of this stupendous mechanism' (Polanyi, 1957: 138). The third fact, is that this perfect dream (or nightmare) cannot happen because societies and people inevitably seek to protect themselves.

At the level of the nation-states of Latin America these global dynamics may seem remote but their effects are nonetheless real. In the post-neoliberal era the question of the state has again come to the fore. The interventionist state of the *desarrollista* era may have been superseded by the 'competition state' but there is no sign of the market regulating itself. As Lechner puts it, 'the state and the market follow different rationalities, therefore there is no sign that one can substitute for the other' (Lechner, 1999: 23). For Lechner, with the demise of the *desarrollista* state and the failure of neoliberalism to kill off the state, the task is now its democratic reconstruction. Indeed, re-imagining what citizenship might mean in the era of postmodernism and globalisation is not an easy task but it is clearly necessary. To seek the harmonisation of economic growth with political democracy and social equity may seem an 'old' issue but it is also the key issue of the day in contemporary Latin America.

To sum up, we need to move 'towards a new common sense', as Sousa Santos (1995), and before him Gramsci, put it. We appear to live in an era of transition in all ways: it is the era of globalisation but the nation-state still matters; it is the post-communist era but old 'socialist' concerns are coming to the fore again. The dominant paradigm in terms of global governance—neoliberalism—has been shaken, adapted and renovated even if an alternative vision is still not clearly on the horizon (but see Baker *et al*, 1998; McEwan, 1999). What seems clear from the analysis above is that, when confronting TINA and neoliberalism it is politics that is in command and not the relative technical merits of economic theories. I would follow Sousa Santos in arguing that 'postmodern emancipatory knowledge aims at the global re-politicisation of collective life (Santos, 1995: 51). In the transition from a narrowly defined 'political' public sphere to a re-politicised civil society the alternatives to neoliberalism (which are likely to be diverse and not unitary) will come to the surface and stake their claims in practice.

A progressive alternative to real neoliberalism might be developed by critical intellectuals, and articulated by leftist political parties but, arguably, without a mobilised civil society all this will not come to fruition. A cowed, disorientated and demobilised civil society will be a poor vehicle for progressive transformation of any kind. This is not a simplistic, utopian, or even ultimately a manipulative argument for a politics 'from below' to counter the dominant politics 'from above'. It is just that, if we look at Chile, Brazil, Central America, we see that where and when civil society has become activated, progressive or democratic alternatives are more likely to prosper. The World Bank certainly understands fully the importance of civil society in achieving social support for neoliberal globalisation and giving it a social 'face'. Certainly for a progressive alternative it will be necessary to recover alternatives from the anti-authoritarian democratic socialist traditions to counter the current infatuation with building 'social capital', a discursive terrain firmly dominated by the new global technocracy.

Postscript

The influential London weekly *The Economist*, in a recent bleak survey on 'capitalism and its troubles', declared that 'Argentina's problems have already dealt a serious blow to the idea that the global triumph of capitalism is inevitable' (*The Economist*, 2002b). Argentina's crisis is bracketed along with the Enron scandal and 'international terrorism' as symptoms of a broader crisis of capitalism and the end of what might be called the 'easy' phase of globalisation. *The Economist* still declares itself optimistic insofar as Argentina's collapse is not being read as 'an indictment of economic liberalisation, but of specific macro-economic failures' (*The Economist*, 2002a) but the global implications of Argentina's implosion are evident enough. Early in 2003, the IMF finally announced, after a year's negotiations with Argentina's interim government, that a \$6.6 billion debt rollover had been agreed, but there was little sign within the IMF that an end to financial crises and a resumption of growth in Latin America was foreseeable (see IMF Survey, 2003). In fact many sober analysts were using the case of Argentina to argue persuasively for a more sustainable and dynamic economic prospect for Latin America outside of the parameters of the IMF and the dominant form of neoliberal globalisation (see Ciblis, Weisbrot and Kar, 2002).

Meanwhile in Argentina the main focus was on the elections of April/May 2003 against the backdrop of a relative economic upturn and the unfreezing of bank deposits with the end of the *corralito*. With much of the electorate indifferent, if not apathetic, there is an unprecedented level of electoral fragmentation. There were three Peronist candidates: Néstor Kirchner (supported by acting President Duhalde and deemed 'left of centre'), Adolfo Rodríguez Saa, one of the interim presidents in December 2001 and, in a remarkable comeback, the now openly conservative Carlos Menem. From the completely discredited radical tradition came the economist Ricardo López Murphy, who stressed the severity of the crisis which Argentina faced, and Elisa Carrió, the left candidate who rapidly faded into a protest candidate against the 'Mafioso state'. No candidate is likely to obtain a majority in the first round (itself highly unusual) and a second *ballotage* round is forecast probably between Kirchner and Menem, who is unlikely to be elected given his high disapproval rates. While we should not minimise the differences between Menem's openly pro-imperialist position (arguing for the dollarization of the economy, for example) and Kirchner's more developmentalist (industrialising) perspective, overall these elections mark another step in the slow death of democracy in Argentina, which is as dramatic as the slow economic collapse in 2001. In truth, none of the leading candidates offer programmes that are in any way adequate to the demands of the crisis situation faced by Argentina.

Events in Argentina are being followed closely in neighbouring Brazil where President 'Lula' was completing his first 100 days in office with a strengthened economy and record approval rates. While facing considerable criticism from the left within his own Workers' Party, 'Lula' has managed to calm the so-called markets that were deemed jittery in the lead-up to the elections in 2002. The IMF, fearful of the international repercussions of debt default in Brazil following on from the one in Argentina, had already agreed a record loan of \$30 million in

2002. However, the IMF conditions, including a demand for strong budget surplus, make it unlikely that Brazil's new government will be able to meet its commitments to reactivate the economy and deal with the country's massive levels of socio-economic inequality. While this is undoubtedly a competent, and in many ways progressive, government (especially in its independent foreign policy at a critical world juncture) its freedom of action is seriously constrained. None other than Domingo Cavallo, Menem's and latterly De la Rúa's economic 'czar' in Argentina, has warned that 'Lula will end up like De la Rúa' (Nudler, 2003), given the unsustainable dynamic of the foreign debt and high interest rates. Cavallo warns, from experience, that political capital can be exhausted in a vain attempt at continuous fiscal adjustment.

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