

Politics and Development: lessons from Latin America

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“Desarrollo es un término de azarosa biografía en América Latina. Sus promesas arrastraron a todos los sectores de la sociedad y de algún modo encendieron uno de los más densos y ricos debates de toda nuestra historia, pero fueron eclipsándose en un horizonte cada vez más esquivo y sus abanderados y seguidores fueron enjaulados por el desencanto”¹

Anibal Quijano

Abstract

The present article discusses the conditions for the adoption of development strategies in Latin America in the aftermath of the neoliberal reforms, focusing specifically on the role of political institutions as a component of the productive regimes in selected countries. Development is treated as an endogenous process, which is shaped over time in terms of trajectories that are continuously redefined according to specific political conjunctures. Having moved from restricted democracies or authoritarian regimes and autarchic economies to mass democracies operating in the context of open economies after the market-oriented reforms, persistent structural inequalities presently constitute the major axis framing the definition of development policies. More so than in advanced countries where the State is treated as epiphenomenon of their respective productive regimes, in the case of the Latin American semi-periphery the State is the crucial actor for the reversal of vicious circles and negative complementarities stemming from the extreme structural and social inequalities within and between countries in the region.

Following a brief discussion on development and economic growth in the definition of the post-neoliberal agenda, the article examines institutional indicators for economic performance of contemporary governmental coalitions in selected countries, focusing on State policies favouring development such as financing, technological innovation, training of labour and social policies. Next, we concentrate on the analysis of political institutions and the role of political elites capable of generating national projects for sustainable development strategies, showing some of the differences between these countries. We conclude with a brief discussion on the adequacy of contemporary political economy approaches to understand processes of capitalist transformation in the periphery, calling attention to the need for a redefined regional perspective on development issues.

¹ "Development is a term of random biography in Latin America. Its promises dragged all sectors of society and somehow lit one of the most dense and rich debates of all times, but they were shaded on an increasingly evasive horizon and its bearers and followers were caged by disenchantment "

i) Introduction

Since the beginning of the century, the tendency in Latin America has been that of reversing the direction of public policies in an extraordinary ideological turn. Considering the degree of the metamorphosis going on in the States of the region, electoral victories of formulas that proclaimed, in a more or less clear way, their distance from the neo-liberal ideology, have taken place in a fairly short period of time with renewed State intervention in the economy.

This turn has given new energy to the Political Science and Economics discussion on the new public agenda and the key components of the emerging development project. In other words, a new room for politics was opened up. The eighties was a period of relative degrees of freedom for the governments of peripheral countries, given the deep fiscal crisis inherited after the collapse of debt and the neoliberal ideological umbrella. The combination of a thought considered to be unique, the renowned Washington Consensus, and fiscal constraints, were key for governments to carry out a handbook of structural reforms forced, mostly, by short-term emergencies. In recent years, the process of reverting the country's conditions to carry out their autonomous development pathways has been accelerated. Furthermore, change has not only been domestic but of certain world system conditions that strengthen the degrees of freedom and autonomy of politics in national projects.

This geopolitical climate change is essential in the analysis of the sociopolitical alternatives for countries in the region. Contemporary discussions on development alternatives take into account the neoliberal thought and consider the possibility of carrying out development projects within the framework of a capitalist extended system which is increasingly interdependent and globalized, with a surprising degree of wealth concentration in the axis of the rich countries of the north. Alternatives are constrained by the fact that capital flows take place mostly between the three subsystems that compose such system: the North American block, the European Community and the Southeast Asia Pacific countries led by Japan. Given these changes, both at the domestic and international levels, questions regarding the alternatives open for peripheral countries arise, specially regarding Latin America which has shown, based on a series of interventionist policies within the framework of a model of protectionism and industrialization by import substitution, a reasonable performance, as revealed by

the steady average growth rates in that period, despite the absence of redistribution through social policies.

In this paper we try to focus the role of institutions and politics for the creation of a new development agenda and for the generation of a breeding ground for the components of that agenda. Firstly, we consider development as an endogenous process which takes place within national states in the globalized framework of a power struggle vis-à-vis other states, regions and multilateral agencies. In this context, the importance of politics, rather than being diminished, is amplified, having in view that any project aiming to become hegemonic and diffused through epistemic communities must be translated at the national level in the form of laws, regulations and other forms of public policy. Moreover, elites do not lose their strategic importance and again in this sense politics retains its strategic role (DINIZ, 2008).

We will focus on South American countries and Mexico. While differences between countries in the region are quite marked, it is possible to identify similarities in contemporary socio-economic processes affecting them. With differences in the degree of intensity and timing of implementation, all countries have gone through a process of transition from protected economies to systems defined according the neoclassical paradigm. In recent years, the opposite phenomenon, the shift towards greater state involvement typical of a new development model, takes place in the region as a whole, with few exceptions. The article is organized as follows: first, we present the theoretical framework of institutional legacies and their impact on the possibilities of implementing the new developmental agenda, still under construction. Next, we analyze the role of institutions and the relationship between market and state, or between the public and private sectors. Finally, we try to draw some conclusions from this recent historical experience of Latin America.

ii) New Development Agenda for Latin America

Concerns about development are not new (COOPER, 2005) and represent the search for the conditions to generate a modernization dynamics of societies towards economic progress and social transformation (FERRER, 2001; STIGLITZ, 2001). In Latin America, studies on development and underdevelopment were stimulated by the

structuralist thought, mainly with the creation of the ECLAC (Economic Commission for Latin America and Caribbean) in the late forties, facing a decline later on after the crisis of the interventionist model of import substitution. Nevertheless, during the last five years, a remarkable change in the ideological orientation of the vast majority of governments in the region has taken place, partly in response to the economic and legitimacy crisis caused by the neo-liberal project. This unforeseen breakthrough revitalized the discussion of key concepts in the field of development studies such as the role of the State and of economic, political and social actors in socio-economic projects, the relationship between politics and economics, and the role of institutions in development prospects, among others. In other words, even though still in formation, this transformation which started with the arrival to power of governments that recognize themselves as anti-neoliberal and pro-interventionists, opens a new era in the long debate on alternative development perspectives that have taken place in Latin America since the postwar period.

Even though the current development model retrieves elements of the ECLAC's post-structuralist discourse (BOSCHI and GAITAN, 2008) it is undoubtedly different and combines the value of state intervention with a non negotiable respect for the value of macro-economic stability, largely because of the specter of the inflationary spiral which the region suffered in the eighties. The notion of stability implies resort to instruments of exchange control, interest rates and fiscal surplus (or at least balance) as tools in the intended process of economic growth. In open opposition to the neoclassical idea which denies space for the national state, the neo-development speech revitalizes the role of the state apparatus as a primary agent of development.

This neo-developmental discourse is nurtured from the academic debate as well as historical experience. It grows out of the controversies between the advocates of the neoclassical view, who tended to naturalize the orthodox perspective in terms of the benefits of coordination through market, emphasizing, at the same time, the thesis that poor growth performance was due to the fact that reforms were not carried out completely. In this context, the new outlook which is still shaping itself, faces opposition, on one hand from the neoclassical sectors, autistic before the poor results of the neoliberal experiences, and on the other hand from the radical left who criticizes the

supposed continuity of policies². The argument in favor of recovering state capabilities as a development factor is still a matter of controversy in the public debate.

Thus, it is possible to observe a contradiction between a market-friendly perspective, generally associated to economic efficiency and supported by those who defend the rigidity of monetary stability, and a developmentalist tradition, related to the need to recover state capacities, which tends to be associated with archaism, protectionism, corruption and backwardness. The new discourse recognizes the importance of good governance, the role of the state in terms of promotion of development, but is definitely still more limited in this sense than the one held in the classical developmental vision.

A key aspect of the new agenda is production diversification and expansion of trading markets. There is a growing recognition that the scale of the struggle between countries on global trade is so strong that investment in science and technology³ becomes necessary, not only to put Latin American countries in the path of development but, above all, so as not to lose the low participation that countries in the region already have in international trade. International trade is the key variable to consider in assessing the distance of the Latin American countries with respect to those of the economic center. International trade is growing year after year and, in spite of the fact that national boundaries still define the scope of intermediation, the importance of trade relations between countries is undeniable. Rodrik (2001: 26) states that "no country has succeeded by turning its back to international trade". If Latin America has historically specialized in the production of agricultural and livestock products and participation in these areas was crucial, changes in international trade over the past 35 years led to deep

² For Claudio Katz (2006), from the group of left wing economists "the turning is *neo* course and not fully developmental because it preserves monetary restrictions, fiscal adjustment, export priority and concentration of income (pointing) only aims to increase State subsidies to the industry to reverse the consequences of extreme free-trade".

³ Brazil is the country of the region that has made the most progress in institutionalizing the system of science and technology. In this process, synergy between State and not national public sector seem to be a central factor in the successful developmental experiences and in this case also appears to be an advantage in the Brazilian experience. While in Argentina the government represents 41% of financing and higher education institutions 22%, leaving a 33.1% to companies; in Brazil the last ones support the 39.9% of investments in research and development and universities 2.2%, remaining 57.9% for the government, which means greater integration of the research system in Brazil, where research would rest in agencies specifically designed for that purpose and in the private sector. The Brazilian business sector showing historic rates of investment on the order of 12% of the total annual research and development, has achieved in recent years, a level around 40%, slightly more than 2500 million dollars. In Chile, institutions of higher education finance 2.2%, and government and businesses are responsible in almost equal parts (44 and 45.8% respectively).

adjustments. During this period agricultural products went from being 30% of world trade to 10%. As a result, Latin America's accumulated share of world exports is falling⁴.

The Brazilian experience shows the importance of the state's action in the diversification of the foreign trade. Since 2000, there is a reversal of trade deficit, generally explained, at least in a first stage, by the devaluation of the Real with the introduction of a floating exchange rate, and in a fundamental way, when the Real begins a recovery process and the undervalued currency does not explain the dynamic taken by the pattern of trade (mostly from 2002), by the policies pursued in the current administration, particularly those included in the PITCE ("Industrial, Technological and Foreign Trade Program") and PAC ("Growth Acceleration Program"). In addition, Brazil has comparative advantages in terms of the strength of some existing local financing institutions (especially public but also private). In this regard Brazil differs from the rest of the countries in the region. Furthermore, as part of its South-South strategy introduced in 2003 by the current administration, Brazil strengthened its embassies, mostly in Latin America and Africa, as a result of which sales grew robustly.

Certain branches of knowledge, such as biotechnology, are a direct challenge to comparative advantages that certain sectors related to traditional exports have. Development of financing systems and, in particular those focusing on production diversification and innovation, are core to the new developmental strategies. The Brazilian state reform preserved certain clusters of technical excellence. Bureaucratic institutions such as the BNDES (National Bank for Economic and Social Development) were kept. This institution, by its importance, strategic role and the nature of its activities has no parallel in any other Latin American country, thus preserving a role built by this country during the developmental phase. A few other agencies geared at development promotion, such as the Chilean CORFO, assume a strategic role in creating the conditions for private investment.

⁴ In 1960 accounted for 8%, in the 80s was reduced to less than 6% and in 1990 only reached 3.3% (Lopez Segrera, 1998). Currently, Latin America participates from 3% (about 354.89 billion) of world exports in a marginalization process (WTO, 2007). Of that portion, the largest country in the region, Brazil, represents 1.05% of exports (ie more than one third of all the countries of Latin America and the Caribbean) and 0.70 of world imports.

Finally, social issues are another key factor in the new interventionist models. The social agenda has a significant level of importance in the neo-development model. Latin American countries have shown no ability to combine growth and equality. Between 1970 and 2006 Latin America grew as a whole at an average rate of 3% yet the proportion and number of poor people remains constant. Today, almost 40% of its population is poor (some 210 million) and 15% indigent. One of the main aspects of post-neoliberal agenda in terms of development challenges in the current globalization phase refers not only to its economic aspects, but more than ever, to its social dimension, essentially, the ability to extend development to society as a whole. This concern for social inclusion appears both in the academic debate and on the neo-developmental experiences, which have expanded the instruments for social intervention.

In Argentina, two lines of social policy can be found: one sponsored by the Social Development Ministry and the other by the Ministry of Labor. The Social Development Ministry is responsible for the “National Food Plan” (“Plan Nacional de Seguridad Alimentaria”), the “Local Development and Social Economy Let's Get to Work Plan” (“Plan de Desarrollo Local y Economía Social Manos a la Obra”) and, last, the “Families Plan” (“Plan Familias”) for social inclusion (which consists of the “Families Social Inclusion Program”, “Integrative Community Centers” and the “National Pension Assistance Commission”). On the other hand, the Ministry of Labor is in charge of the “Unemployed Heads of Household Plan” (“Plan Jefes y Jefas de Hogar Desocupados”). This set of policies streamline a large number of former programs and have almost the exclusive purpose of improving efficiency in implementation, benefiting mainly those sectors who have suffered more from the strong crisis that followed the failure of the convertibility regime.

In Chile, social policies of the current administration are based on three central programs. On the one hand, the “Chile Solidary Program” (“Programa Chile Solidario”) which works with female household heads, on the other hand, the “Chile Grows with You Program” (“Programa Chile Crece Contigo”), designed to go along with and boost from children development to pregnancy, as a means to fight inequities from the cradle itself. Finally, announcements have been made of a free health system for citizens over the age of 60.

In Brazil, PT government's social programs can be divided into three areas, the most important being the "Articulation, Mobilization and Social Control" ("Articulação, Mobilização e Controle Social"), focusing on malnutrition. In this context, the "Zero Hunger Program" ("Programa Fome Zero") has four main areas: access to food, family agriculture strengthening, income generation and articulation, and demobilization and social control. It includes actions such as income transfer, "Bolsa família", food and nutrition social security, urban agriculture and fight against child labor, among others.

iii) Path continuity, legacies and development possibilities

Proper identification of the elements of the new developmental agenda is complex, but constitute just a moment in the studies on development. One of the main questions in the extensive literature on development regards the conditions which allow for the establishment of policies for a new agenda. The reflections not only address the constitutional vectors of a developmental project⁵ but also the conditions that will ensure its implementation. In that sense, the challenge is that of explaining the differences in development prospects between Latin American countries.

Entering a development path involves exploring the possibility of a variety of ways that not necessarily imply a radical break with the trails previously explored. Entering a development path implies exploring some other earlier ways that define the alternatives of choice (BOYER, 2005; AMABLE, 2003). In the institutionalist perspective⁶ successful adoption of a new institutional framework depends on the context and historical trajectories that have shaped the National State and institutions in each country (NORTH, 1990, 1998). The generation of virtuous cycles of development would be connected, among other factors, to a process of successive stages involving

⁵ As it is a process in development, which recovers ECLAC's structuralism elements combined with a new direction and some other new axis in part a legacy of the neo-classical paradigms, the identification of the neo-developmental agenda is not simple, but includes a new form of social policies, investment in education, science and technology, industry promotion and the diversification of the productive matrix, among other aspects (BOSCHI and GAITAN, 2008)

⁶ HALL and TAYLOR (1996) mark the existence of three neo-institutionalist lines: a first one, which resumes the studies of public election choice that emphasizes institutions such as rules that define the frame within which strategic interactions will take place of rational actors and maximize utilities; a second one, that refers to the sociology of organizations and seeks to interpret the role of institutions in terms of standards of behavior and, finally, a third one, that also uses a broader definition and draws attention to the historical trajectories that resulted in certain institutional arrangements.

the establishment of institutions capable of reducing transaction costs and increase efficiency. In the case of Latin America such an effort implies the consideration of the post market reforms scenario.

There has been no single model of neoliberal adjustment, but different models of open market implementation. For example, despite the general opinion, we can find neoliberalism with State coordination in Chile, in a type of model which hides complex processes, which are far from an anti-interventionist practice associated with this experience⁷. In Argentina, the process of implementation of structural adjustment was radical, based on a neo-liberal orthodoxy with productive regression. The dismantling of the interventionist model of postwar reached significant levels. Uruguay and Brazil are examples of lesser degree of penetration of neoliberal adjustments, so much so it can be referred to as development model with macro-economic orthodoxy, rather than to a classic neo-liberal model.

It can be said that those countries which advanced less in the implementation of structural reforms, those who kept higher degrees of freedom for applying a neo-development agenda, are those who have been reluctant to copy models as an ecumenical doctrine and have followed their own paths. The same applies to national differences to revert crises of growth or to make the jump into the national levels of development that characterized the trajectories of certain Asian countries like China (which is conducting its own transition to capitalism) or Malaysia⁸. Taiwan and South Korea, which on the initiative of the Postwar Japanese model, represented in the 70s successful cases of industrialization also constitute successful experiences of development based on state strategies targeting certain objectives considered central to national projects (CHANG,2007; KHOLI 2004.) These cases prove: i) the importance of relatively autonomous paths, doing away with “handbook” implementations of

⁷ Underneath a neoliberal facade that characterized the Chilean model of development, mechanisms closest to a developmental form of State interventionism operated. State coordination activities included public support for the major export sectors such as fish, fruit and timber would have been the catalysts for the boom in verified exports. The preservation of State coordination mechanisms, in conjunction with the reorganization of the businessmen around the economic reforms gave way to a frame in which even the preservation of the mining sector under the protection of the State and capital control mechanisms operated. Elements that led to a strategy that was able to give account for the problems of market failures and space associated with them for a positive State intervention.

⁸ As pointed out by RODRIK and KAPLAN - 2002 Malaysia faced the Asian crisis with alternative prescriptions to the international lending institutions proposals, achieving higher rates of recovery in a shortest amount of time that those who hold on to the handbook of the international community.

reforms; ii) the key role that the political components and technical officials can exercise in the definition of the path to follow in a particular national project, and iii) the centrality of coordination mechanisms and interest intermediation structures. In fact, some studies, among them, EVANS (2005), presents the so-called emerging Asian tigers, which are cases of successful *catching up*, as examples of the capacity of bureaucracies to create market-oriented elites converging with that of markets in establishing an interface with state bureaucracies, leading their respective trajectories away from predatory processes.

Identifying institutional legacies and the role of institutional arrangements capable of overcoming vicious cycles commonly regarded as obstacles to development is not a simple task. Actually, although the successful Post War development experiences of Latin American countries show that state institutions have a key role in creating favorable conditions for socio-economic development, the way in which institutions operate towards building efficient state intervention is not clearly delineated. Such task calls for a distinction between the strictly economic level and political factors that outline, on the whole, the alternatives for future development, together with other variables assuring institutional comparative advantages.

iii) State, Markets and Politics as key element of development models

Nonetheless, the recognition that institutions play a central role is just a starting point for a larger problem: the conditions for the creation and permanence through time of such organizations. The possibility of creating them is not easy (NORTH, 1994). Institutions are more than simple rules of the game and procedures that must be followed. As is known, their efficacy depends on the possibility of ruling individual or collective behavior and of incorporating values, preferences and expectations of human beings in interaction.

Insofar as development is concerned the issue relates to the possibility of making government institutions incorporate a developmental orientation in their daily operation, with the aim of inaugurating a virtuous cycle of growth. In this sense there must be institutions in place capable of effectively deal with the interaction between individuals and groups with opposing interests. In turn, a shared frame of reference among elites is

necessary to guarantee productive results in a fairly stable manner through time. Elites with influential capabilities over the public agenda have a key role in this process. In this regard, emphasis is made on the political and bureaucratic component (the existence of bureaucracies with *esprit de corps*) and on coordination between the public and private sectors (the existence of arenas of concertation or cooperation between entrepreneurs and the state).

The state's ability to build a strong administrative-bureaucratic machinery is vital in creating the path towards development. Cases of more integrated or cohesive patterns of state intervention, such as Brazil and Chile, have relied on the existence of these bureaucratic nuclei. On the other hand, the state must be capable of processing interest group actions, both from the capital and labor in terms of conflicting alternatives. In sum, the instruments for achieving growth targets are varied and the choice of a particular set of instruments involves the mobilization of social support, the formation of coalitions, the diffusion of values favorable to the different options, the organization of collective action in different institutional formats (political parties, trade associations, trade unions), among others. The challenge is that of putting the state apparatus in motion to create an inclusive development project (GOUREVITCH 1986)⁹. As the neo-development agenda is being built upon the remaining state structure in the aftermath of neoliberal reforms, the task at hand is that of reversing the previous path so as to generate a virtuous consensus around the idea of national development. At this point consideration must be given to the fact that the neo-development agenda is still not the winning choice. The epistemic community identified with the open market theories remains strong and the tendency for these orientations to prevail as a filter in the elites' world views is proportional to the time the corresponding policies were in place. The same would be true of the legacy of state interventionism, affected as it was by the reforms. In some cases, the reversal of this previous trajectory encountered obstacles, and it took longer for neoclassical views to take hold.

Disparities in Latin America are remarkable in this regard. In Chile, where neoclassical ideas flourished in an almost unique manner and with a radicalism never seen in the

⁹ This author argues that cyclical capitalism crises lead to changes of economic policy (*laissez-faire*, mercantilism, centralized planning, demand stimulation, industrial policies) and that the resulting nature of state is going to depend not only on those choices but also in the possibility that these will constitute the dominant model.

region before, the coalition government that emerged from the process of democratization found in the social commitment to the neo-classical economy an ideological corset. In Brazil, where neo-liberalism was a late project and of partial implementation, expressions of a strong developmental State remain.

In the Brazilian case, even though business elites were the segment that more quickly supported neoliberalism, the deepening of the developmental model generated sectors more critical to opening. Later on, during Fernando Henrique Cardoso's second government, a critical position to maintaining the fundamentals of monetary stability such as high interest rates, high primary surpluses, and mainly, the high tax burden. Since the Lula government, there seems to be, a certain preference for a more developmental model type, centered on the need for productive investment and infrastructure, while enhancing stability as a public good (DINIZ and BOSCHI 2007).

As is analyzed in detail in BOSCHI (2008) significant differences also exist in the way Latin American parliamentary elites perceive the role of the state in development policies and also their views regarding the state-market dichotomy. Quoting data from a Parliamentary Elites in Latin America survey coordinated by ALCANTARA (2005) at the University of Salamanca, differences in the perception and views of parliamentarians from various countries clearly arise. Thus, it appears that the Chilean parliamentary elites are more favorable to market regulation (53.4%), a position that could be explained by the depth and permanence in time of the market reforms. In Brazil, the proportion of parliamentarians friendly to market regulation is smaller than the Chilean case (43.3%). On the other hand, in Mexico, 57.3% of elite's preference concentrates on the maximum value of statism and 28.2% in the category of strong statism, with a total absence of preferences in the pro-market category. The data presented in this work is revealing of almost dichotomous way that choices are framed in the public debate about development alternatives. It is also indicative of the still preliminary nature of a neo-developmental perspective as a policy preference in the region. The perceptions of potential support coalitions for a development platform based on new forms of state interventionism, with different degrees between countries, has yet to be constructed, diffused, and consolidated.

Differences in the perception of elites about the state in each country are stressed in the revealing analysis of DEZALAY and GARTH (2002) on the contending perceptions of lawyers and economists in the process of Latin American state building. Centered in the of Brazilian, Chilean, Argentinean and Mexican cases, the work underlines how the elite fragmentation in Argentina and Mexico would have led to a less consensual position on the role of the state and a more outward-looking perspective with a lower propensity to accumulation of state capacities. On the other hand, Brazil is placed closer to the Chilean case for reasons ranging from the preservation of a law-based tradition of control of the state apparatus and the progressive creation of institutional capacities of state interventionism. In other words, in the latter cases, the presence of more cohesive elites that took possession of the state apparatus through a tradition of thought linked to the law acted as a deterrent to the projected state minimalist perspective of the economists.

Therefore, with regard to the role of elites, it is necessary to stress the importance of previous visions about the state as the possible foundation for the diffusion of new pro-developmental networks of professionals articulated in the epistemic communities. Very often, the state versus market polarity blurs the identification of new trends. The vision of the Chilean model as beacon of neoliberal success, for example, hides the preservation of significant coordination activities and patterns of state intervention under the façade of the market reforms, as a result of previously shared views regarding the strategic role of the state.

In other words, history, actors and local decisions count. The point is to recognize that, beyond any limits in the integration of these peripheral countries to the world, development remains an endogenous process and, in this sense, lies in the possibility of generating a national project, that must gather the cooperation of various social actors (employers, workers, politicians, government technicians). The implementation of a developmental agenda and the generation of stable institutions is the result of broad agreements that require consensus among the players representing the social, political and economic life. Agreements that must be honored by its participants, with the collaboration of various sectors to achieve relative stability and durability in the short and medium term. The political system becomes the key dimension in this respect. The various mechanisms for processing the conflict are crucial, as already stated. As stressed

in socio-economic analyses, a project implies a certain direction, a choice between alternatives in which different actors and social groups are influenced in dissimilar ways. In other words, projects generate adjustments in social stratification and will find support on groups that are favored by or those who have empathized with the proposal, but it will also be rejected by those who perceive the process as negative. (FALETTO, 1996; BECKER, 2007). Thus, the existence of inflection points and, consequently, of new desirable balance points, would depend on the coalitions of support for a developmental post-neoliberal platform. The greater or lesser ability political systems show to deal with conflict situations and generate consensus on a certain minimum core is a central feature in any development model.

A dimension of governance in terms of the nature of the coalitions that come to power and seek to implement a more developmental platform must be emphasized. The situation in this regard is quite different in each given context. Political and institutional factors shaping the productive regimes generally make a difference in terms of economic performance. On one hand, the Argentinean President Fernandez de Kirchner's coalition government is more homogeneous, structured on the momentarily hegemonic field of the Justicialist Party, incorporating slips of the opposing parties, not facing any strong nor articulated opposition. On the other hand, Lula's first coalition government was highly fragmented and made up of parties both on the right and left of the ideological spectrum. Pragmatism and dogmatism making the task of defining and obtaining support for a long-term development project more difficult, even though the government has managed amidst some turbulence, institutions have been reasonably effective in terms of assuring governability.

Chile and Uruguay are listed as examples of the center trends. Overcoming the authoritarian regime of Pinochet in Chile made it possible for the creation of a more center-oriented homogenous coalition which revealed itself as fairly pragmatic and efficient enough to carry out a project for the country. However, since the government of Ricardo Lagos (2000-2006) under the leadership of the Socialist Party, the permanence and stability of the coalition has faced gradually more disagreement, and has constituted a straight-jacket for the adoption of more progressive public policies, resulting in higher levels of social conflict, which seem to have determined the presidency of the current president Michel Bachelet.

The nature of the political coalition is part of a broader axis that includes not only the players who are in the government but in the broader framework of the political system (pluralism, fragmentation, division of powers, etc.). The most significant difference would be in the possibility of whether or not to nurture conditions for cooperation. A swinging pendulum between experiences focused on projects with consensual participation of political parties as mediators contrasts with those in which the distinctive feature is the exclusion of other legitimate actors from the political-partisan arena in favor of social movements.

Significant differences between the dissimilar realities that range from relatively stable systems, to experiences that deny any legitimacy to the government coalitions, can be observed in Latin America. Among the differences, the type of party models, the quantity and quality of the players involved in the political game and the role of institutions in the conciliation of interests, among others, are included. On one hand, we find the group made up of Ecuador, Venezuela and Bolivia¹⁰ where the most outstanding feature is the clear difficulty of channeling conflict through political institutions. Broadly speaking, a general denial of the legitimacy of the presidents in exercise is observed, with an inability to form a coherent opposition axis, stable and with chances of becoming a true alternative of government. Political actors tend to be embedded in a dynamic zero-sum game, where representation of interests assumes particularistic profiles. On the other hand, Uruguay, Chile, Brazil and Colombia, combine a party system that introduces alternation in the exercise of power, a certain legitimacy of the actors in the political game and an active role of parliament. In the middle, Argentina and Peru, represent cases in which, while legitimacy of the actors in government is undeniable, the quality of political institutions shows a low intensity and, additionally, there appears to be no strong opposition with potential to become a real alternative of government.

Understood as conflict channeling and creation of dialogue bridges acting between conflicting alternatives, politics requires clear rules which involve not only political but,

¹⁰ In theory, these countries would constitute an axis that claimed, at least at a discursive level, socialist alternative types for their governments and that is expressed in the constitution ALBA to which Ecuador refused to participate and was finally composed by Bolivia, Cuba, Dominica, Nicaragua and Venezuela

especially, economic players. A development proposal in the context of a capitalist system in constant evolution and competition, which drives states to a strong bid for resources, investment, technology and human capital, needs a strong business sector (SICSU, 2005; DINIZ and BOSCHI, 2006; BOSCHI, 2006).

In recent years Brazil seems to be travelling along this path. Albeit central, cooperation between businesses and public sector also depends on the way in which the state has been able to establish such cooperation. The underlying coordination dynamics between state and market is affected, in the first place, by the existence of planning mechanisms and of coordination between the two areas and, in second place, by effective means of implementation, which leads us to worry about state capacities. In fact, as already emphasized, the basis of any possibility of a developmental proposal implies a basic agreement between politics and economy, or between economic and political actors. The issue is not only that of public administration paying attention to market signals, but also that of knowing when these are positive retaining the power to control and to coordinate. Only as long as these signals act as a positive link in the public goods distribution and users preferences, they can act to improve the performance of public institutions (EVANS, 2005).

This pattern of relations between business and an autonomous yet responsive bureaucratic core would be critical to explaining the virtuous paths of “recovery” following market reforms. Resistance from bureaucratic elites, business and unions has been a key factor in the neo-liberal slow down and in the late implementation of reforms in some cases. In contrast with cases of Argentina and Chile, where privatization was almost total, in Brazil, the privatization of “Vale do Rio Doce”, emblem of the Fernando Henrique Cardoso’s administration, had to face resistance from business and trade-union sectors which acted as a brake on future privatizations. The question is why the opposition in Argentina showed no effectiveness in resisting privatizations.

The role of business is fundamental in the analysis of the formation of a developmental platform. One important line of study can be identified by authors that emphasize the relationship between business sector and State as an explaining factor for the incidence of certain development experiences. Criticizing Olson and focusing on partnerships interest of businesses in East Asian countries and Latin America, these studies show

that economic performance is strongly related to a collaboration between private sector interest groups and the State, to the extent that class associations contribute to correct market failures, apart from being functional in solving coordination problems (SCHNEIDER & MAXFIELD, 1997; SCHNEIDER, 1995).

Corporatism, usually understood as a form of representation of interests opposed to liberal democracy because it implied working class control and in this vein negatively evaluated, can in fact be reinterpreted in terms of its positive effects as ground for cooperation between social sectors and the state. In Latin America there have been experiences of strong (Mexico, Brazil) or weak (Chile, Venezuela) corporativism, which generated different paths of transition to market-centered coordination and from there towards a new developmental orientation (BOSCHI, 1994). State corporatism was essential to counteract the tendency for business and corporate fragmentation such as in Brazil and Mexico. In cases of weak state corporatism such as in Chile and Venezuela, corporate hegemony was achieved through the operation of strong peak associations. Above all, as has been analyzed (BOSCHI, 1994; DINIZ and BOSCHI, 1991) in Brazil, the development and consolidation of an official structure of representation¹¹ constituted a major asset at the time of shaping the collective identity of the private sector vis-à-vis the state and was essential in terms of keeping the relative integrity of the domestic private industrial sector in the immediate post-reforms scenario.

The existence of a development agency like the BNDES and its isolation from any privatization pressure can be also explained by the political and economic profile of the elites. Despite a change in its orientation during the neoliberal period, in which it acted as an agent of the privatization process, this agency never deviated from its constitutionally defined role of supporting projects geared at generation of employment, in a line of continuity which inspired the bank's creation in the 1950's.

¹¹ The degree of organization and strengthening of business associations has also been fundamental for moving forward processes of structural adjustment. For example, privatization progressed much less in the Brazilian case, partly because of opposition from organized sectors that managed to mitigate their impact. The fragmentation of Argentine businessmen and a better organization of their Brazilian counterparts, characterized by strong pragmatism and organized into corporate associations and other organized bodies related to them, were generally receptive to reforms, despite the fact that they had differential impact upon the various segments of the industry.

iv) Conclusions: uncertainty and the development process

Even recognizing the role of institutions in creating the conditions for a national agreement around the idea of national development -still analyzing the bureaucratic capacities of States to enhance the benefits and opportunities that represent the current moment- development is far from a clear idea. At this point, attention should be driven towards the micro public policies and towards the behavior of policy makers with the ability to influence key policies of the new agenda.

Imponderable elements are key to the developmental experience. These not cognoscible a priori elements are plurisignificant and their importance can vary over time. The discovery of two vast oil fields in Brazilian jurisdictional waters that could turn the country into a producer and exporter power is an example of how imponderables appear as an explanatory factor. While discovery is the consequence of a strategic and investment decision, its mere existence is not predictable. In this sense, uncertainty is present in any developmental process. Development may also be a product of certain not planned decisions. The current Brazilian experience, which shows a robust growth of the economy and a (although slow) reversal process of the historical social inequalities, was unthinkable some time ago.

Development is a long-term process. Only by being successful in surviving over time, can certain policies turn into a successful dynamics. The delay or relative improvement in a moment of time does not guarantee the course stability. For example, mid-twentieth century Argentina had a relatively advantageous position with respect to all the countries of the region and that was not guarantee of a sustained or continuous development process.

On the other hand, the vision we have of the processes can eventually change. Patrimonialism and corporatism which have been analyzed in a negative way as an expression of private elites over public arenas can be positively reinterpreted in the long run. Patrimonialism, that in the Brazilian experience expressed the extension of the private domain of the oligarchy was based on a sort of competition between various regional fractions over control of the state apparatus, with the unexpected result as the

preservation of its strength and capacity to intervene over the years. Also seen in perspective, the policies carried out by the military governments can be positively reinterpreted not only for their ability to generate sustained growth rates and potential for development, but also for their consequences in terms of nation building. A dictatorship that banned all forms of civil rights represented the element by which the elites could count on to keep the State isolated from particular interests and develop a Nation's project.

In brief, the Brazilian experience illustrates a case of solid capitalism in which the process of creating an interventionist state, since the 1930 Revolution of Getulio Vargas, can be analyzed in terms of the presence of imponderable elements, combining uncertainty with determination of some elite sectors. The elites that triggered the process of national industrialization may not have been clear as to the long run consequences of their intervention but they opened up a trail that would eventually preserve the possibility of a developmental experience with an effective pattern of state intervention throughout the course of industrialization.

Changes in the political regime in the Brazil have not meant a drastic change in the rate of accumulation or in the pattern of state interventionism. Power concentration, a strong Executive with the possibility of installing a programmatic agenda in the course of development and the strengthening of a bureaucracy with *esprit de corps*, seem to be the pillars that explain the increasing strength of the Brazilian State, the weaker penetration of the neo-liberal project, and the achievement of a more integrated form of capitalism in the long run.

The specific nature of development processes in Latin America clearly shows, on one hand, the role that the state can in them and, on the other hand, the concern with structural inequalities as a complex system factor in the developmental dynamics. It is in this space between the State and the process of overcoming inherited inequalities is where development dynamics can thrive. Only the strengthening of the State apparatus can act as a factor to overcome inequalities historically inherited, on an inclusive process of development that integrates the masses to welfare. Moreover, the creation or expansion of a domestic market could promote a process of integration of the

historically marginalized sectors, thus constituting one of the axes for the future development strategies.

These specific nature of state intervention as the basis for breaking with long-prevailing negative complementarities stemming from endemic structural inequalities have been overlooked by theories, such as the Variety of Capitalisms literature that make an analysis of the capitalist system transformation built on a reading from the central countries. In this vein, the state is strategically seen as important, but is at the same time treated as an epiphenomenon in the productive regime, which is basically guided by the firms accommodation to existing equilibria, thus reducing its transformation potential.

States necessities, especially of those from the periphery and semi periphery, to meet the conditions of the international system, represent a turning point regarding the future trends. There would not exist, in fact, the possibility of a return to the omnipresent role of the state, without taking into account the imperatives of macroeconomic stability, breaking away from the value of stability. Neither would it be possible to continue denying the role of the state in the conditions for development, as it became clear from the poor results of the nineties economic reforms.

As far as a developmental project involves the largest number of players representing the political arena, businesses and other economic actors, and the more it becomes inclusive from the social standpoint, the greater the chances that development projects will be viewed as national task worth fighting for, and more the possibilities for region as a whole in the international division of labor, enhanced by strategies of regional integration.

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