

## A guide to my work

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October 2017. When there is a version in English, this is chosen in the text; when there is also a Portuguese version, I add an asterisk; in the References, we have the two versions.

Whenever asked, I define myself as an economist, but, given the broad scope and integrated character of my intellectual interests, a better definition would probably be political economist, honouring the original name of my science.<sup>1</sup> The major theoretical influences in my formation were originated in the Aristotelic-Thomist tradition, in Marx' historical-dialectical method and his genial analysis of the capitalist revolution, in Max Weber's theory of bureaucracy, in Mannheim's sociology of knowledge, in Keynes' and Kalecki's macroeconomics, and in structuralist development economics of, among others, Arthur Lewis, Albert Hirschman, Raul Prebisch and Celso Furtado. For the understanding of Brazil, I learned the basic framework from Guerreiro Ramos, Ignacio Rangel, Hélio Jaguaribe, and again Celso Furtado.

I develop my work using the historical-deductive method – a method that searches to generalize out from regularities and tendencies observed in reality – instead of the hypothetical-deductive or the normative method, which starts from axioms. My possibly relevant contributions on methodology are

- “Why economics should be a modest and reasonable science” (2012);
- "The two methods and the hard core of economics" (2009)\*;
- “Historical models and economic syllogisms” (2017a);
- “Self-interest and incompetence” (2001b), where I defend the idea that interests don't explain all economic policy mistakes; often the interests are neutralized, and the policymaker has freedom to adopt the right policy, but, for incompetence, he chooses a wrong one.

The three first papers are complementary. They defend that economics is a substantive science that searches to explain how economic systems are coordinated. As it is a substantive science, it should adopt a hypothetical-deductive method, and, consequently, have as truth criterion the conformity with reality, and econometrics, as a relevant, but not the only method of truth verification. Since economic behaviour is limitedly rational, predictions based on regularities and tendencies are imperfect, and, for this reason, economics should be a modest and reasonable science. Neoclassical economics does not follow this rule, and adopts the hypothetical-deductive method, which has logical consistency as truth criterion. This is a legitimate criterion for the

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methodological sciences, as mathematics and statistics, that don't have a reality to which the models must conform, and, so, they deduce the theory (essentially, general equilibrium and rational expectations' macroeconomics) from basic axioms, not for economics. Thus, these three papers are also a methodological critique of today's mainstream economics.

Two core themes in my work are the capitalist revolution and economic development. The capitalist revolution happens in each country by the formation of the nation-state and the industrial revolution. This transition from agrarian lettered to industrial societies was for the first time "completed" in England – the first nation-state that industrialized. Economic development – the historical process of capital accumulation with incorporation of technical progress – begins in each country with the industrial revolution. My two basic social theories – on the emergence of the technobureaucratic or professional class and, more recently, on rentier-financier capitalism – are developments of the capitalist revolution; my more significant economic theory, new developmentalism, is essentially a development macroeconomics. My discussion of the state, the nation state and the developmental class coalitions as well as of the rise and consolidation of democracy in each country have the capitalist revolution as a starting point.

Two central macroeconomic prices for me are the profit rate, that will have to be satisfactory to the business enterprises to invest, and the exchange rate, which is the less studied of five macroeconomic prices (the other three are the wage rate, the interest rate and inflation) although it is the more strategic of all, because it impacts not only imports and exports, but also inflation, profit expectations, investment and savings, and distribution between wages and profits.

The discussion of inequality is present throughout my work. In relation to Brazil, where inequality is radical, I think that it is the biggest social and political challenge that Brazilians face. Democracy and the pressure of the popular classes and the social movements for a share of the economic surplus yearly produced, for land and for habitation, are essential for the reduction of inequality. But distribution should not go against economic growth, because historically the improvement of the standards of living depend more of economic development than from distribution.

I believe that modern societies have historically defined for themselves five political objectives: security, individual liberty, economic development, social justice, and protection of the environment. I am in debt in relation to the last objective, from which depends the survival of humanity. I discussed in general terms the problem of human development and of economic development in two papers:

- "Development, progress and economic growth" (2014a)\*;<sup>2</sup>
- "Desenvolvimento, sofisticação produtiva, valor-trabalho e salários" (2017c);

### **Profits and wages and the phases of capitalist development**

On economic theory, I already mentioned the methodological critique of the neoclassical core that I made with two methodological papers. Besides this I believe that I have a contribution in three areas: in the theory of capitalist growth and distribution, in the theory of inertial inflation, and in development macroeconomics, this last one in the framework of new developmentalism.

I began with the book on the profit rate, the wage rate, and the phases of capitalist development. It took me an immersion of Marx's analysis of the falling tendency of the

rate of profit and thirteen years of work to write this book, which I originally presented as my *Livre Docência* dissertation at USP, 1984.

- *Lucro, Acumulação e Crise* (1986)\*.

My central question was how, in the different phases of capitalist development since the industrial revolution, the increase in wages is consistent with a satisfactory profit rate that stimulates business entrepreneurs to invest. To respond this question, I inverted the classical theory of distribution (of David Ricardo and Marx), making the profit rate constant in the long-term, with the argument that while men don't find a practical alternative to capitalism, the profit rate will remain sufficient to encourage business entrepreneurs to invest. As to the wage rate, it is the residuum: it grows above, equal, or below the increase of the productivity of labour, depending on the technical progress causing the increase of the output-capital ratio or productivity of capital, being neutral, or causing the fall of the output-capital ratio or the productivity of capital. All these concepts are in Marx, who assumed that the last type of technical progress, involving the fall of the productivity of capital was happening and would continue to happen. I abandoned this simplifying assumption, divided the history of capitalism in phases, and argued that the fall of the productivity of capital had dominated the first phases, but around 1870 such productivity turned neutral, what meant that wages could grow with the growth of the productivity of labour, while the profit rate remained a satisfactory level. This classical phase ended into the Great Depression of the 1930s.

After the Second World War, in the framework of the Golden Years of Capitalism, I was optimistic. The fall in computers' prices indicated that technical progress could have changed from neutral to capital-saving, that the productivity of capital was increasing. That created the ideal condition for the reduction of functional inequality: wages could grow above the increase of productivity of labour, while the profit rate remained satisfying to the companies. I was wrong. The price of the newer machines was indeed smaller than of the old ones (what causes the increase of the productivity of capital), but the information and communication revolution brought a brutal wave of substitution of capital for labour, which involves the fall of the productivity of capital or of the output-capital relation. In two recent papers, I updated the book accordingly:

- "Inequality and the phases of capitalism" (2014b);
- "Growth and distribution: a revised classical model" (2018a).

### **Technobureaucratic capitalism**

The study of a third social class, besides the capitalist and the working classes, was my first object of theoretical interest. In 1959, after been admitted as instructor in the São Paulo School of Business Administration, based on my modest knowledge of Marx at that time (I only studied Marx systematically in the 1970s) and of the classical book by Adolph Berle and Gardner Means (1932) on the separation of the control from the ownership of the modern corporations, I wrote my first academic paper. It was also a first incursion on the theory of the emergence of technobureaucracy that I would develop mostly in the 1970s;

- "The rise of middle class and middle management in Brazil" (1962)\*<sup>3</sup>;

On social theory, I worked on the emergence of the professional or technobureaucratic class and on the respective form of ownership – organization – mainly in the 1970s. My main works on that matter were

- “A emergência da tecnoburocracia” (1972b) – my founding paper, whose English version is collapsed in *Technobureaucratic Capitalism*, referred below;
- “Notes d’introduction au mode de production technobureaucratique” (1977b)\* - paper whose original is in Portuguese, and whose English version is also collapsed in *Technobureaucratic Capitalism*; first paper where I defined the technobureaucratic relation of production.
- *A Sociedade Estatal e a Tecnoburocracia* (1981) – book that collected my previous papers and notes on the emergence of technobureaucracy and on the Soviet Union and China, which I visited in 1989;
- *Technobureaucratic Capitalism* (1990a) and in an updated English version of the previous book, where I advanced in the discussion of social classes.

In these works, as well as in *Profit, Accumulation and Crisis* (1986), I used Marxian concepts to develop my analysis, which, at that time, was on the frontier of discussion; I defined a statist mode of production, from which Soviet Union’s social formation was the nearest case; I called “organization” the respective relation of production: the collective ownership of the means of production by the technobureaucracy; I defined capitalism as technobureaucratic because it had turned a mixed social formation, bourgeois and professional. At that time, the rise of a third class was not yet accepted, and I maintained a vivid debate with Marxist friends and colleagues.

In the 2000s, I returned briefly to social theory with two papers:

- “Professionals’ capitalism and democracy” (2005)\*, where I argued that the rise of the technobureaucratic class happened together with the rise and consolidation of democracy; thus, the ruling class, of capitalists and professionals, had no alternative but to live with democracy;
- “A dupla conversão: do ideal socialista ao estatismo e deste ao capitalismo” [The double conversion: from the socialist ideal to statism, and from this one to capitalism] (2009). **International political system**

On the international political system and on international relations, it is worth to refer to two papers, one theoretical, the other, applied:

- "After balance of powers diplomacy, globalization's politics" (2002)\*;
- "O gigante fora do tempo: a guerra do Iraque e o Sistema Global" [The giant out of the time: the Iraq war and the Global System] (2003)

The first is an ambitious essay where I defend the thesis that major nation-states will not anymore wage wars among themselves; wars made sense to the victorious side in pre-capitalist times and while nation-states were defining their frontiers, because they were a main form of the stronger to appropriate the economic surplus of the weaker; they don’t make sense anymore in the present capitalist system where the borders among great countries is well-established and the proper form of capturing the economic surplus is through profits, or through high salaries and bonus. In the second paper, written during the short days of the Iraq war, in which I used the framework developed in the previous paper to predict that, even in the case of small country, victory would eventually be detrimental to the “victor”, the United States.,

## Rentier-financier capitalism

More recently, I returned to the discussion of capitalism. After the war, the rich world lived the developmental and Keynesian Golden Years of Capitalism or Fordism, but this phase of high growth, financial stability and rising standards of living ended with the 1970s' crisis and the rise of neoliberalism. After that, I remain viewing capitalism as technobureaucratic, because the business executives had replaced the business entrepreneurs in the management of the corporations, but now a second major substitution was taking place: the substitution of rentier capitalists for the original business entrepreneurs in the ownership of the corporations. What turned immediately apparent was the change from the Golden to the Neoliberal Years of Capitalism; was a liberal or neoliberal counter-revolution beginning around 1980, which had a strong economic content – the attempt to return to the nineteenth century liberalism – and a financial one, associated with a great increase in the wealth and power of the finance sector and the finance people – the financiers. For that reason, many, including myself, identified a process of “financialization”. But after some time I realized rentier capitalists, or “investors” in the language of financial markets, the beneficiary of capitalist rents (interests, dividends and real-state rents) were turning increasingly wealthy. I realized that the increasing share of income and power of financiers and of the financial sector derived in large part from their role of managing the wealth of the rentiers. While with the technobureaucratic or organizational revolution the technobureaucrats replaced the business entrepreneurs in the management of the corporations, with the rentier's rise, they replaced the same business entrepreneurs in the ownership of the corporations. Thus, it became clear to me that present day capitalism is not only a technobureaucratic capitalism, but also a rentier-financier capitalism. I arrived at these ideas gradually, and I mention here some of works in this direction:

- "The global financial crisis, neoclassical economics, and the neoliberal years of capitalism" (2010a)\*, my paper on the 2008 global crisis; an attempt to understand the deregulation and financialization of world economy promoted by the hegemonic neoliberal ideology, "scientifically" justified by general equilibrium and rational expectations economic theory;
- “After the demise of neoliberalism, but not of conservatism, a third developmentalism?” (2015)\* - where I predict a third developmentalism, because moderate state intervention is back, but probably a conservative one, as suggests Germany's Agenda 2010.
- “Depois do capitalismo financeiro-rentista, mudança estrutural à vista?” [After rentier-financier capitalism, structural change at sight?] (2017d); English version not include the analysis of structural change: “The political crisis of globalization” (2017d), available only at my website; essay where I search to explain the Brexit and the election of Donald Trump to the presidency of the US.
- “Secular stagnation in the framework of rentier-financier capitalism” (2017b), a survey on the recent discussion on the secular stagnation of capitalism, and my analysis of the six new historical facts, which, in my view, don't lead to secular stagnation, but to low growth, further increase in inequality, and economic and political instability.

And I must cite one early essay on social theory, specifically on the political change of the Church, particularly in Latin America, after pope John XXIII had called the Second Vatican Council (1962-1965):

- “A revolução política na Igreja Católica” (1972a).

## **Interpretation of Brazil**

On the interpretation of the Brazilian society and economy, my two main books are

- *Development and Crisis in Brazil* (1968-2003)\*, which is tributary of classical developmentalism; it had several editions up to 2003, and an English version of the fourth edition (1984);
- *The Political Construction of Brazil* (2014)\*, book that is tributary of new developmentalism and of economic nationalism or the resistance to the West’s domination; it is my more complete and systematic book on Brazil; it is an analysis of the Brazilian society and economy from the Independence; there is only one chapter on the colonial period, in which I situate the origins of Brazil’s falling behind the United States, following in that matter Caio Prado Jr. (1942, 1945); I divided the analysis of independent Brazil in three long cycles of the state-society relation: the first, State and Territorial Integration Cycle (1822-1889); the second, Nation and Development Cycle (1930-1979), when the Brazilian capitalist revolution was achieved; and the third, Democracy and Social Justice Cycle (1980-2014). In the 3<sup>rd</sup> edition of the book (2016) I analysed a fourth one, followed by a major economic and political crisis

These two books contain most of what I have written on Brazil. But I should add papers where I discussed critically the interpretations existing.

- “Six interpretations on the Brazilian social formation” (1982)\*, where I identified two interpretations before 1964, the Agrarian Destiny, liberal-dependent, and the National Bourgeois, national-developmental; and four interpretations immediately after: Modernizing Authoritarian, Functional Capitalist, where I should have classified Fernando Henrique Cardoso and his associate dependency interpretation; Imperialist Super-exploitation Dependency, orthodoxly Marxist; and the New Dependency Interpretation, which, today I prefer to call National-Dependent Interpretation;
- "Do ISEB e da CEPAL à teoria da dependência" (2005), or its slightly improved English version, “From the national-bourgeoisie to the dependency interpretation of Latin America” (2011b), papers where I, finally, distinguished my interpretation from the associated dependency theory.

After writing these two last papers, I began to call my interpretation, “national-dependent interpretation”, a deliberate oxymoron to sign the ambiguous or contradictory political behaviour of business entrepreneurs: in some moments, national, or dependent when feeling threatened.

## **After the 1960s’ crisis, a new model of development**

After a competent orthodox stabilization of the economy between 1964 and 1966, the military regime resumes the developmental growth strategy in 1967. The left in Brazil, defeated by the military coup, was pessimistic about growth. Celso Furtado, in

exile, wrote a book with a significant title, *Subdesenvolvimento e Estagnação na América Latina* [Underdevelopment and Stagnation in Latin America] (1966). The two main arguments were that the demand was repressed by the reduction of wages during the adjustment process and the fall in the productivity of capital, as technical progress turned capital-intensive. Yet, the Brazilian economy, under the economic leadership of Antônio Delfim Netto, creates a subsidy to the exports of manufactured goods that neutralizes the Dutch disease in relation to the foreign markets (the neutralization vis-à-vis the domestic market was already achieved through high import tariffs and multiple exchange rate regimes). In consequence, Brazil increased dramatically its exports of manufactured goods, while, between 1968 and 1973, experienced an “economic miracle” – GDP growth rates above 10 percent a year. I believe that, helped by a conference of Antonio Barros de Castro, I was the first economist who wrote a paper in 1970 explaining what was happening:

- "Dividir ou multiplicar? A distribuição da renda e a recuperação da economia brasileira" (1970)\*;<sup>4</sup>

In this paper, published one year before Maria da Conceição Tavares and José Serra's *Más allá dela estagnación* (1971)\*, I already argued that, in the late 1960s, Brazil had overcome the long economic crisis that had began in 1961 by concentrating income not only in favour of the rich, but also of the middle-class, thus assuring demand to the luxury goods, principally the automobiles that were being produced in the country since the previous decade.

The same argument was developed in an additional and more formal paper and in a book:

- "O novo modelo brasileiro de desenvolvimento" [The new Brazilian model of development] (1973)<sup>5</sup>;
- *Estado e Subdesenvolvimento Industrializado* [State and Industrialized Underdevelopment” (1977a), book in which I associated the concentration of income from the middle-class upward (the new model) to the association of the local bourgeoisies with the military technobureaucracy and the rich countries or the West; in this book I also began to study the state.

### **Business entrepreneurs, the state and democracy**

My work on the business entrepreneurs and the industrialization of Brazil began in the end of 1962, immediately after returning from 18 months of studying in the United States. In 1955, when I was 20 years old, I entered in contact with the ideas of the nationalist intellectuals of ISEB and became an ardent developmentalist. In political terms, developmentalism means a class coalition between a national bourgeoisie and the workers, intermediate by the state and its public technobureaucracy. By that time I was teaching public administration at the Getúlio Vargas Foundation. These two facts concurred to my interests on business entrepreneurs and to my hypothesis, in conflict with the São Paulo school of sociology and dependency theory, that business entrepreneurs were originated from immigrant families, not from the families associated to coffee production and exports.

- "Origens étnicas e sociais dos empresários paulistas" [Ethnic and social origins of Paulista entrepreneurs] (1964)\*,<sup>6</sup> in which I demonstrated with empirical data that the industrial business entrepreneurs were either immigrants, or sons, or grandsons of immigrants, not descendants of the

coffee grower aristocracy as the São Paulo school of sociology and dependency theory defended.<sup>7</sup>

- "O empresário industrial e a revolução brasileira" [The industrial entrepreneur and the Brazilian revolution"] (1963), in which I discussed the nationalist and developmental class coalition associating industrialists, public bureaucrats and urban workers which, on the lead of Getúlio Vargas, conduced Brazil's capitalist revolution, and its crisis beginning in 1961;
- *Empresários e Administradores no Brasil* (1972c), book that reports my research on the social mobility and career of the Brazilian business executives; it was my PhD dissertation in economics at the University of São Paulo;
- "Empresários, suas origens e as interpretações do Brasil" [Business entrepreneurs, their origins, and the interpretations of Brazil] (1994), where I remark that the fact that they didn't have origin in the coffee planters upheld the developmental interpretation of Brazil which defends the role of the national bourgeoisie in its industrial revolution (1930-1980); this was already my motivation when I researched on the ethnic and social origins of the Paulista entrepreneurs in the early 1960s; in the paper, "Do ISEB e da CEPAL para a teoria da dependência" [From ISEB and CEPAL to the dependency theory] (2005), I reaffirmed this interpretation, just adding that this industrial bourgeoisie was ambiguous, changing from economic nationalism to liberalism when feeling threatened, as happened in the 1960s political crisis which ended up in the 1964 military coup;
- *Empresariado industrial, democracia e poder político* [Industrial entrepreneurs, democracy, and political power], with Eli Diniz (2009), an analysis of the fall of industrialists as political actors in the 1990s and its relative recovery in the Lula administration; yet, this developmental class coalition broke down in the early 2010s – a problem that I discussed in the third edition of *A Construção Política do Brasil* (2016) and in its English version (2017);

### **The 1960s' crisis and the 1970s' model of development**

In the early 1960s, a major economic and political crisis interrupts temporarily Brazil's national and industrial revolution, which had begun in 1930 under the leadership of Getúlio Vargas. I then write a paper and a book on the subject: The first edition of my first book,

- "O empresário industrial e a Revolução Brasileira" (1963) was my first political analysis of Brazil – essentially a discussion of the new historical facts which, in the 1950s, undermined the developmental class coalition formed in the 1930s, and, eventually led to political radicalization on the left and the right opening room for the 1964-1984 military regime;
- *Desenvolvimento e Crise no Brasil 1930-1967* (1968); it is the first edition of this already referred book; it was essentially an attempt to understand the economic and political crisis of the 1960s; it was critical of the military regime, and my more successful book in terms of sales and editions.

## The 1980s' foreign debt crisis

In the end of the 1970s, the 1980s' Foreign Debt Crisis, a major financial crisis, interrupted Brazil's extraordinarily fast growth. In 1983, I entered politics, invited by the democratic governor of São Paulo, André Franco Montoro. In 1985, Brazil made its transition to democracy. In 1987, invited by president José Sarney, I was finance minister of Brazil in the eve of the collapse of the Cruzado Plan. The country was facing high inflation and had declared the moratorium of its foreign debt. During the seven months that I held this position, I actively dealt with the inflation and the foreign debt. Leaving the ministry, I wrote a short paper,

- “The Brazilian approach to the external debt negotiation” (1988a), where I summarized the innovative proposal that I made to solve the foreign debt crisis.

My edited book, *Dívida Externa: Crise e Soluções* [Foreign Debt: Crisis and Solutions] (1989) contains the Portuguese version of this paper and other works. The secretary of the Treasury of the United States, James Baker, in October 1987, rejected this proposal, but it was a good proposal, so that it was fully adopted 18 months later by his successor, Nicholas Brady, and resolved the crisis. I told the history of this proposal in

- “A turning point in the debt crisis” (1999a).

## The theory of inertial inflation

In 1979, I realized that the Brazilian economy was facing a major financial crisis, which had led inflation to grow exponentially. At that time I was teaching the theory of economic development and Brazilian economy at Getulio Vargas Foundation. I left this aside, and dedicate my teaching and research exclusively to these two problems.

I, first, turned interested in inflation. It was clear to me that either the monetarist, or the Keynesian explanations – the explanations based on fiscal deficits financed by issuing money, or on demand – were clearly insufficient. In 1980, I wrote my first paper on inflation.

- “Inflation in oligopolistic and technobureaucratic capitalism” (1981), a paper influenced by Ignácio Rangel's *A Inflação Brasileira* (1963). In one section I already showed how the phased and informal indexation of wages and prices cause inflation to be resistant to the usual way of combating it, through fiscal and monetary policy.

After that, I wrote two papers with Yoshiaki Nakano that founded the theory of inertial inflation. I believe that these papers, particularly the first one, was the first paper fully defining inertial inflation:

- “The theory of inertial or autonomous inflation” (1983)\*; the title in Portuguese, "Fatores aceleradores, mantenedores e sancionadores da inflação" [Accelerating, maintaining and validating factors of inflation] says what is essential in this new type of inflation: the accelerating factor is the distributive conflict, the maintaining factor, the informal indexation or inertia, and the sanctioning factor, the endogenous money supply;
- “Administrative policy: gradualism or shock” (1984), paper that for the first time proposes a mechanism to neutralize the inertial factor of inflation in the moment of the required price freeze.

In the following year, we published the book

- *Inflação e Recessão* [Inflation and Recession] (1984), published in English three years later, *The Theory of Inertial Inflation*;

This was a collection of our papers on inertial inflation. In the end of 1984, two economists from the PUC Rio de Janeiro University, André Lara Resende and Persio Arida, presented their first comprehensive paper on the subject in an international conference in Washington; in September of this year, the first of them had published in *Gazeta Mercantil* the proposal of controlling inertial inflation which would be successfully adopted in the heterodox 1994 Real Plan.<sup>8</sup> My own plan, which came to be called Bresser Plan (1987), contained also a mechanism to neutralize the inertial component of inflation, but failed because of the wild disequilibrium of relative prices in the moment of the price freeze and because of the lack of political support for a responsible fiscal policy.

In 1991, when inflation had turned into hyperinflation (82 percent in February), the new president, in his first day in office (March 16, 1991), started a major orthodox, fiscal and monetary, stabilization plan. Despite the enthusiasm of the representatives of IMF and World Bank with the new plan, I was sure of its failure, because it had caused a major disequilibrium in relative prices for not having included in the plan a simple mechanism that neutralized the phased increase of prices. One month later, I invited Nakano to write a paper to be presented in June, in a conference of post-Keynesian economists, saying that the plan had failed. It did.

- "Hyperinflation and stabilization in Brazil: the first Collor Plan" (1990).

### **Democratic transition and consolidation**

My work on democracy began in 1977, as a reaction to President Ernesto Geisel's fall back into deep authoritarianism. My first serious incursion in the area was with the book where I predicted the democratic transition. I started from the negative reaction of the bourgeoisie against the April 1977 authoritarian measures undertaken by the military regime to which this social class was firmly associated since the 1964 military coup. In the 1970s, after military coups in Brazil, Argentina, Uruguay, Chile and Peru, most Latin-American academics defended that the bourgeoisies in developing countries were intrinsically authoritarian, having as theoretical explanation for that Guillermo O'Donnell's concept of "bureaucratic authoritarianism" (1973), per which the capital deepening phase of Latin American industrialization led almost necessarily to authoritarian regimes. I realized that this assumption was false, and I bet in the coming democratization:

- *O Colapso de uma Aliança de Classes* [The Collapse of a Class Alliance] (1978).
- "The dialectic of redemocratization and *abertura*" (1984)\*; this was my first paper in English on the Brazilian transition to democracy; it was published as the seventh chapter of *Development and Crisis in Brazil*;
- *Pactos Políticos* (1985) is a collection of the papers I wrote on the political development of Brazil, mainly on the democratic transition;

Finally, between 2003 and 2011, I wrote the ideas intuitively behind the analysis of the Brazilian democratic transition between 1977 and 1985:

- "Democracy and capitalist revolution" (2011a)\*.

In this last paper, I developed an ambitious historical theory of democratic transitions and consolidations. The respective intuition came when I saw the Brazilian bourgeoisie, which supported the military regime since the 1964 coup, to change sides in the beginning of 1977. Then I wrote *O Colapso de uma Aliança de Classes* (1978), which I believe to be the first book on the transition to democracy. The basic theoretical idea in this book is that a country consolidates its transition to democracy if it previously completed the formation of the nation-state and industrialized, i.e., if it completed its capitalist revolution. If the transition to democracy happens before that, due mostly to international pressure, it will be unstable. I will return to this book below.

From 1995 to 1999 I was again in politics. Back to the academy, now finally full time, I gave a course of theory of democracy in the graduate program on political science at the University of São Paulo, and continued to discuss democracy in

- “After elites, civil society’s democracy” (2000), a paper on the Brazilian democracy and the phases of its development;

In 2017, I finally wrote a paper on the difficult problem of the pre-industrial countries, that today are supposed to make their industrial revolution within the framework of democracy, although no country up to today did that. The two countries that got near that in the moment they made their capitalist revolution, United States and India, could not be democracies.

- “Democracy and growth in pre-industrial countries” (2017f).

### **The theory of the state**

My work on the theory of the state began in the 1970s, with the book already referred:

- *Estado e Subdesenvolvimento Industrializado* (1977),

I return to the theme almost twenty years later:

- “Estado, sociedade civil e legitimidade democrática” [State, civil society and democratic legitimacy] (1995);
- “Estado, estado-nação e formas sociais de intermediação” (2010b) – where I distinguish state from nation state, and see as social forms of political intermediation, the nation, civil society and class coalitions or political pacts;
- “A construção política do Estado” [The political construction of the state] (2010c), is the book where I emphasize that nations, civil societies, states, nation-states are social or political constructions, involving ideological debate and a complex and dialectic array of compromises between social classes.

And a sociological analysis of the Brazilian bureaucracy:

- “Public bureaucracy and ruling classes in Brazil” (2007)\*.

### **The republican rights and the republican state**

In 1997, I wrote a fundamental paper on political theory:

- “Citizenship and *res publica*: the emergence of republican rights” (1997a)\*

In this paper, I started from T.H. Marshall’s (1951) classical historical distinction of the civil rights, the political rights, and the social rights, and proposed that a fourth historical type of human rights was emerging in the last quarter of the twentieth century, the republican rights; I argue that the capture of the public patrimony is not limited to corruption. For this it was not necessary to define a new type or citizens’ rights; it refers to the “legal” capture materialized in all types of “advantages” that individuals and groups are able to obtain from the state. I returned to this idea in the book:

- *Democracy and Public Management Reform: Building the Republican State* (2004a)\*.

In this book, besides systematizing the theory of the managerial reform referred below, I made a theoretical discussion of state and of democracy, and, based on the paper on the republican rights, defined the republican state – the state that is strong enough to avoid the legal capture of the public patrimony by powerful individuals and groups.

With these two works I, who was already a reformist socialist or social-democratic and a developmentalist or economic nationalist, turned also a republican, in the sense that citizens and politicians are supposed to have public or civic virtue. They are not free just because they may do whatever they want provided that it is in agreement with the law; to be free they must also be capable to endorse policies that are against their personal interests or are rejected by its political constituency, and, thus, may cost their reelection.

### **The 1990s’ economic reforms**

In 1987, I was finance minister of Brazil. After this short and difficult experience, which I summarized in a paper-testimony (Bresser-Pereira 1988b), I wrote several papers on the Brazilian political economy which I collected in the book,

- *A Crise do Estado* [The Crisis of the State] (1992), from which I have a good evaluation

Some papers in this book should be remembered, particularly:

- "The perverse macroeconomics of debt, deficit and inflation in Brazil" (1990), an encompassing analysis of the 1980s’ crisis.

In 1990, after ten years of foreign debt crisis and high inflation, Brazil finally bowed to the West. I almost immediately reacted with a critique of the Washington Consensus.

- "A crise da América Latina: Consenso de Washington ou crise fiscal?" [The crisis of Latin America: Washington Consensus or fiscal crisis?] (1990c); this was my master class in the December ANPEC annual meeting; it is an early critique of the Washington Consensus, where I returned to the idea that Brazil faced a fiscal crisis combined with a debt crisis;
- "Economic reforms and cycles of state intervention" (1993b), where I proposed that the state intervention in the economy follows a cyclical pattern; the liberalization and privatization wave that had began recently would be followed by a new cycle;

In 1990 I was invited by Adam Przeworski to participate in a major research on economic reforms and new democracies. It was a fascinating experience for me, from which resulted:

- "Economic reforms and economic growth: efficiency and politics in Latin America" (1993a)\*; this is the paper that resulted from my participation on the research program on reforms and democracy led by Adam Przeworski; it resumes some of the ideas of the previous paper (1990c);
- "Economic reforms in new democracies: a social democratic approach", with Adam Przeworski and José Maravall (1994); this is a kind of summary of the book by Bresser-Pereira, Maravall and Przeworski, *Economic Reforms in New Democracies* (1993)\*;

And there is the interesting case of my invitation to participate of the book of the essays that would be published together with the history of the 50 years of the World Bank:

- "Development economics and World Bank's identity crisis" (1995); I wrote a considered but critical analysis which was eventually rejected; I published it immediately in a good journal; the World Bank, that for almost 50 years had been a developmental financial agency, around 1980 turned into an agency charged by the American government to implement neoliberal reforms in highly indebted developing countries.

Finally, a book I preferred not have written; my original idea was just to translate the book of essays, *A Crise do Estado* (1992), which I do like, but the publisher asked and I gave a structure to the book; I had turned optimist with the 1994 price stabilization and the election to the presidency of a friend, Fernando Henrique Cardoso, and this optimism combined with the interest that Norberto Bobbio's social-liberalism aroused, led me to write a book that didn't correspond to what was really happening since Brazil bowed to the West and to rentier-financier capitalism in 1990.

- *Economic Crisis and State Reform in Brazil* (1996a)\*.

### **Social-democracy and concept of left**

I have been always a social-democrat, i.e., a socialist that does not believe that socialism may be achieved by a revolution. While my friends Marxists view social-democracy as "reform", and reform as a treason to the socialist revolution, I declared myself a social-democrat, a centre-to-the left person. When, in 1988, I participated from the foundation of PSDB, I understood that this would be a social-democratic party. When this political party changed to the centre-right and adopt a dependent or colonial approach to politics, I left the party.

I wrote several articles, among which I mention here just three:

- "Por um partido democrático, de esquerda e contemporâneo" (1997b), where I proposed a definition for the left: a person is in the left if it is ready to risk social order in name of social justice;
- "The new left viewed from the South" (2001e), where I argued that while in the 1930s the centre moved to the left, in from the 1980s it moved to the right. This idea corresponds to Adam Przeworski's (2001) concept of "policy regime", which was on the left in the Golden Years of Capitalism, and moved to the right in the Neoliberal Years of Capitalism;

- “The hegemony constraints in the neoliberal years of capitalism” (2014c), where I developed the concept of “hegemony constraint” – which, differently from the economic and political constraints, can be overcome because they just mean that its non-observation contraries the interests of the hegemonic coalition.

In the book *Democracy and Public Management Reform* (2004) I adopted a firm social-democratic position.

### **The 1990s’ managerial reform**

I worked on the theory of public administration when I was minister of Federal Administration and Reform of the State - MARE (1995-1998) and after. Arriving to this position, I understood, first, that the reform was of the state apparatus or public administration, not of the state as a whole, whose reform had been done in the 1988 Constitution; second, that the reform required a theory. Thus, I was deeply involved into the definition of this theory, while I assumed the leadership of its implantation in the Brazilian public administration. This theory was inspired in the NPM (New Public Management) school that oriented the managerial reforms of the Anglo-American countries from the 1980s and in the developmental administrative reform that Roberto Campos led in Brazil with the Decreto-Lei 200 (1967). Given that I am, politically, a social-democrat, and that, since the 1985 transition to democracy, Brazil was building a welfare state, I realized that increasing the efficiency of large social and scientific services was the best way of legitimizing them – of protecting universal public education, universal health care and social security from the attack waged by neoliberals. MARE was a kind of think-tank. During its four years of existence, I wrote several papers and a full book:

- *Plano Diretor da Reforma do Aparelho do Estado* [White Paper on the Reform of the State Apparatus] (1995)\*;
- "Da administração pública burocrática à gerencial" (1996b)\*, paper that I wrote while my staff was writing the *Plano Diretor*; is my first full paper on the reform;
- “Reform of the state in the 1990s: logic and control mechanisms” (1998a), where I gave to the managerial reform a world dimension and discussed the three management mechanisms: management by outcomes, administrative competition for excellence, and social accountability;
- *Reforma do Estado para a Cidadania* (1998b), book which summarized the theory and the work done in the government;
- “Sociedade civil: sua democratização para a reforma do Estado” (1999b), where I argue that the democratization of civil society is part of a larger process of improving democracy, and is consistent with managerial reform.

### **The 2000s’ new developmentalism**

In 1994, the heterodox Real Plan, based on the theory of inertial inflation, was finally able to neutralize inertial inflation, and I believed that Brazil would resume growth. But I was wrong. I didn’t consider that Brazil, which had acted as an independent nation since 1930, would surrender to the West from the Fernando Collor

administration (1990-92) as it did. After the short Itamar Franco interval (1993-94), the Fernando Henrique Cardoso administration (1995-2002) only accentuated the change from a developmental to a liberal and dependent economic policy regime. Liberal regimes may be effective in adjusting an unbalanced economy, but are unable to sustain growth in the long-term. Thus, it was not surprising that the growth with foreign savings policy adopted by Cardoso led the country not to growth, but to a major financial crisis in the end of 1998. In 2003, Luiz Inácio Lula da Silva, a centre-to-the-left politician adopting an indefinite combination of social-democracy and developmentalism, was elected to the presidency; in office, he as well as his successor, Dilma Rousseff, were able to reduce inequality and poverty, but failed in making Brazil to resume fast growth.

In 2001, I was already persuaded that either liberal-orthodoxy, or classical developmentalism didn't have the required theoretical tools to understand middle-income economies, and develop the necessary policy tools that would catch up. Thus, from this year on, I got involved in the development of a new theoretical framework that came to be called new developmentalism, and that encompasses a new development macroeconomics focused on the five macroeconomic prices, chiefly the exchange rate, and a political economy in which I discuss the concepts of developmental class coalitions and of developmental state. From the beginning, I was deeply persuaded that a balanced exchange rate was an essential condition for economic growth, and my objective was to develop a theory to justify this.

The theory is developed in three books:

- *Macroeconomia da Estagnação* (2007)\*, book on the Brazilian economy, which I wrote to underlie the historical character of macroeconomics; it was also a first attempt to systematize the new development macroeconomics; although Brazil was growing fast at that time, I argued that the Brazilian economy was quasi-stagnant due to the high interest rate – overvalued currency macroeconomic trap; acquiescing to the demand of the publisher, the English edition received a different name, *Developing Brazil: Overcoming the Failure of the Washington Consensus* (2009)\*, but it is essentially the same book;
- *Globalization and Competition* (2009)\*, a collection of essays on new developmentalism that I edited so as to transform them into the first relatively systematic presentation of new developmentalism; the fourth chapter discusses the tendency to the cyclical and chronic overvaluation of the exchange rate;
- *Developmental Macroeconomics* (2014) and *Macroeconomia Desenvolvimentista* (2016), with José Luis Oreiro and Nelson Marconi; it is the first fully systematic presentation of new developmentalism. The Portuguese edition represented a sizable improvement in relation to the English edition, because it made clearer new developmentalism's theory on the determination of the exchange rate and the two reasons why the current and the industrial equilibrium vary through time – the first, mainly per changes in the international prices of commodities, the second, chiefly per changes in unit labour cost comparative index.

For my best summary of new developmentalism:

- “The economics and political economy of new developmentalism” (2017), available at my website.

In 2001, I had my first intuition on new developmentalism, which I put in a short article on the fragility that originates from foreign savings. In this way, I was beginning a major intellectual adventure, focused in the determination of the exchange rate and its role in the investment function, and, so, in economic growth. The three founding papers were:

- “Economic growth with foreign savings?”, with Yoshiaki Nakano (2003)\*, and “Foreign savings, insufficiency of demand, and low growth”, with Paulo Gala (2008)\*, in which I and my associates criticized the growth with foreign savings policy, i.e., the policy of incurring into current account deficits and foreign indebtedness; the argument was that to a current account deficit corresponded an overvalued exchange rate in the long-term, which discouraged investment while encouraging consumption, even when the deficit was financed by foreign direct investments.
- “Uma estratégia de crescimento com estabilidade” (2002), with Yoshiaki Nakano, where we began our fight against the very high interest rates prevailing in Brazil since 1994; this paper originated a large debate on this high interest rate; and several economists identified a "Bresser-Nakano hypothesis" explaining the extremely high interest rates prevailing in Brazil since 1991.
- “New developmentalism and conventional orthodoxy” (2006)\*, where I compared the new-developmental with the liberal orthodoxy; this was the first paper on new developmentalism that arose the interest of economists and other social scientists.

But the theoretical advances continued with the model of the Dutch disease and the tendency to the cyclical and chronic overvaluation of the exchange rate:

- "The Dutch disease and its neutralization: a Ricardian approach" (2008)\*, the second model of the Dutch disease and the only heterodox model.<sup>9</sup>
- “Foreign savings and financial crises” (2008)\*, with Lauro Gonzales and Claudio Lucinda, where we show that financial crises in developing countries are balance of payment crises usually associated to current account deficits, i.e., with the growth with foreign savings policy, which may happen while, contrarily to what conventional economics supposes, the fiscal policy is under control;
- “A tendência à sobreapreciação da taxa de câmbio” (2009),<sup>10</sup> where, for the first time, the tendency to the cyclical and chronic overvaluation of the exchange rate was added to new-developmental theory;
- “Macroeconomia estruturalista do desenvolvimento”, com Paulo Gala (2010);<sup>11</sup> I decided to write this paper when, after the publication of *Globalization and Competition*, I realized that the critique of growth with foreign savings policy, the model of the Dutch disease, the tendency to the cyclical and chronic overvaluation of the exchange rate, and the discouragement of investment present in these three models summed up to an original developmental macroeconomics;
- “The exchange rate in the center of development economics” (2012)\* – paper written under the invitation of the *Revista de Estudos Avançados* da USP as part of a dossier on new developmentalism. It underlies, for the first time, that the exchange rate had a role in the core of development economics.

In 2013 I arrive to the definition of the value of the exchange rate – a concept very simple, but illuminating in relation to the determination of the exchange rate.

- “The *value* of the exchange rate and the Dutch disease” (2013), paper where I introduced the concept of the value of the foreign money, which I would improve in *Macroeconomia Desenvolvimentista* (2016);

- “The access to demand” (2014c), where I argue that when the tendency to cyclical and chronic overvaluation of the exchange rate is not duly neutralized, the competent tradable non-commodity industry will not have access to demand; or, in other words, notwithstanding the existence of demand (domestic as well as foreign), they will not invest;
- “Why the ‘Rest’ doesn't need foreign finance” (2017e), where I argue that middle-income countries should have their current account balanced, or, in case they face the Dutch disease, a current account surplus to have a competitive exchange rate, fluctuating around the industrial equilibrium;
- “The case for reindustrialization in developing countries: towards the connection between the macroeconomic regime and the industrial policy in Brazil”, with André Nassif and Carmem Feijó (2017);

On the relation of new developmentalism with classical developmentalism:

- “Reflecting on new developmentalism and classical developmentalism” (2016a), where I compare new developmentalism with classical developmentalism, and reject the existence of an alternative theoretical body of thought (the so called “social developmentalism”), which was just the defense of policies like industrial policy, instead of a competitive exchange rate, growth oriented to the domestic market, and rejection of the once and for all depreciation proposed by new developmentalism;

On the political economy of new developmentalism:

- “Models of developmental state” (2016b), where I propose four models;
- “The two forms of capitalism: developmentalism and economic liberalism” (2017f), where I argue that developmentalism is the alternative to economic and political organization of capitalism, and the default form, because industrial revolutions always take place in the framework of a developmental state;
- “Industrial policy and exchange rate skepticism?”, with Fernando Rugitsky (2017), where we discuss the resistance of classical developmentalism in working with the exchange rate instead of import tariffs;
- “Developmental class coalitions: historical experiences and prospects”, with Marcus Ianoni (2017), where we discuss the theory of class coalitions, three historical developmental coalitions (the mercantilist, the Bismarckian, and the social democratic), and question on the possibility of a new developmental class coalition;
- “Economic nationalism and developmentalism” (2018b), an essential paper that I should have written before.

On the application of new developmentalism to the Brazilian economy, besides the books *Macroeconomia da Estagnação* (2007) and *The Political Construction of Brazil* (2014), I remember:

- “The macroeconomic tripod and the Workers' Party administrations” (2015);
- “Brazil’s 36 years-old quasi-stagnation: facts and theory” (2017), to understand why Brazil, after overcoming the 1980s’ debt crisis and high and

inertial inflation, fell in the interest rate-exchange rate trap, and since then grows little, except in a few years of the commodity boom. .

At the Latin American level, I cite one paper published in the *Oxford Handbook on the Latin American Economy*:

- “From old to new developmentalism in Latin America” (2011c)\*.

At world level, the papers on new developmentalism and rentier-financier capitalism are already discussed above. I add just one relevant paper on the euro crisis (2010-2016):

- “Sovereignty, the exchange rate, collective deceit, and the euro crisis”, with Pedro Rossi (2016).

In this paper, we show that the euro crisis was consequence of the Germany’s Agenda 2010, which involved the contention of wages in Germany and other North countries, not in the South countries; in consequence, the South countries were constrained to get involved in costly “internal devaluations”, instead of just depreciating their national currencies, as they did before the euro.

### **Intellectual history**

I worked on the intellectual history of Brazil. Besides the paper on the six interpretations and of the two papers with a critique of the dependency theory, I believe are relevant for this guide:

- "De volta ao capital mercantil. Caio Prado Jr. e a crise da nova república" [Back to merchantile capital: Caio Prado Jr. and the crisis of the New Republic] (1989), where I make a political critique of the first years of the new democratic regime, and also a critique of Caio Prado Jr., because, similarly to what did Raymundo Faoro, was unable to include the Brazilian industrial and capitalist revolution in his analysis;
- "Um mestre da economia brasileira: Ignácio Rangel" [A master of the Brazilian economy: Ignácio Rangel], with José Márcio Rego (1993), a survey of the work of this notable economist;<sup>12</sup>
- "Method and passion in Celso Furtado" (2001c)\*; these two papers were in honor of my two friends and masters on the Brazilian economy, which were published while they were alive;
- “A descoberta da inflação inercial” [The discovery of inertial inflation] (2004b), where I made a circumstantiated history of the development of the theory of inertial inflation in Brazil.

On my own work, I wrote

- "Economista ou sociólogo do desenvolvimento" [Economist or sociologist of development] (2004c), which I wrote for my 70 years festschrift;

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<sup>1</sup> Economics was originally called “political economy” by the mercantilist and the classical economists. In the end of the nineteenth century, neoclassical economists changed from the historical to the hypothetic-deductive method, which allowed for more precise and fully

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mathematical theories, although with little conformity with reality, and they changed the name of the science to “economics”.

<sup>2</sup> Note that the Portuguese version of the paper is better developed.

<sup>3</sup> Published in Portuguese as the third chapter of *Desenvolvimento e Crise no Brasil* (1968-2003).

<sup>4</sup> This paper was included as a section in all the editions of *Desenvolvimento e Crise no Brasil*, from the third edition (1972); thus, it is present in the English version of the book, which corresponds to its fourth Portuguese edition (1984: 143-151).

<sup>5</sup> Spanish version available in *Desarrollo Económico* (1973).

<sup>6</sup> There is a non-published English version available in the author’s website.

<sup>7</sup> The São Paulo school of sociology developed in the University of São Paulo under the leadership of Florestan Fernandes, Octavio Ianni and Fernando Henrique Cardoso; dependency theory was an originally Marxist interpretation founded by André Gunder Frank (1966), which had two branches, associate dependency and capitalist super-exploration, headed respectively by Fernando Henrique Cardoso (1969), with Enzo Faletto, and Ruy Mauro Marini (1969).

<sup>8</sup> I refer to André Lara Resende and Pérsio Arida (1984) and to Lara Resende (1994).

<sup>9</sup> The first neoclassical model was Corden and Neary (1982).

<sup>10</sup> This paper was published concomitantly in Portuguese by *Economia* (of Fluminense Federal University) and in the book *Globalization and Competition*, published in four languages.

<sup>11</sup> This paper was approved for publication in the *Revista dela CEPAL*, but the Portuguese version was published before, and the editor suspended the publication. Version in Spanish available.

<sup>12</sup> Note that there is a recent and more complete version of this paper, Bresser and Rego (2014).