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**Antonio Marcelo Jackson F. da Silva**: PhD in Political Science and Professor at the Federal University of Ouro Preto (Brasil);

**José Medeiros da Silva**: PhD in Political Science and Professor at Zhejiang International Studies University (China);

**Rafael Gonçalves de Lima**: Master of International Relations at Jilin University and Journalist at the Xinhua News Agency (China);

**Renato Henrique de Gaspi**: Master of International Relations at Zhejiang University (China).

**Neoliberalism in Latin America**

**Professor Antonio Marcelo Jackson**: we are starting another International Forum of Ideas, and today our debaters are Professor José Medeiros, the journalist Rafael Lima and our associate researcher Renato Henrique de Gaspi to debate the theme “Neoliberalism in Latin America”.

The main presentation will be made by Renato and afterwards we will interact with him with questions, comments and doubts. Having just finished his Master’s degree at Zhejiang University, he is now at Hangzhou City, China.

We also have José and Rafael who are now in Beijing, and I am here in Ouro Preto, kicking off another edition of our forum.

So, Renato, I would like you to explain in a simple manner, before moving on to the case of Latin America, what is Neoliberalism. It is an honour to be with you here, and the floor is yours.
Renato de Gaspi: to speak about neoliberalism it is necessary to speak a little about theory. I will attempt to speak quickly about theory, and then relate that to Latin America, making an introduction about neoliberalism, which is a doctrine that was born in Economics, but it is also a political and juridical theory, based, foremost, on the matter of the free market. The idea that the market is neutral, impartial and the best judge of value for objects and people. In this idea, the ideal government for a neoliberal – and I am talking for example, about the Austrian economist Friedrich Hayek – who believes that good government is the one that interferes minimally on the market, but that does not mean that government does not exist, or play a function. Neoliberalism is not about leaving everything to the laws of nature, not in theory, not in practice. The state has a role, and the role of the state is to create judicial apparatuses so the market functions in the way it should. This is the great difference between classical liberalism of the 19th century, because then the market was seen as quasi-natural. In the 20th and 21st century this is no longer the idea. The neoliberals update this classical idea to idealize the construction and maintenance of a juridical apparatus that will enable the better functioning of this market. It is not only an economic theory, but also a way of thinking, which gains a great prominence in the 80s and 90s, more so with the collapse of the communist and socialist countries in 1989 and 1990. At this moment we notice the birth of some theses, for example the famous idea of the “End of History”, claiming that we had finally found the answer for the question: “what is the best form of government?”. This became almost consensual.

This affects, than, some international institutions like the IMF and the World Bank, and this is when America Latina comes in (or was pushed in). In 1985, when our military dictatorship is over, these governments had borrowed cheap money from the European and American governments in the so-called “petrodollars”. The amount of these loans in 1985 is already exorbitant, because of some external shocks. Thus the price of this debt increased two, threefold, which leads us to a process of enormous external indebtedment and hyperinflation which leads us to take loans from the IMF and the World Bank. This does not come without its strings attached, this comes together with the so-called “Structural Adjustment Agenda”.
With this, Brazil and many other Latin American countries adopt a series of macroeconomic principles, like the primary surplus method or the Fiscal Responsibility Law (FRL). This process of adjustment was left kind of unfinished after the arrival of the 2000s. In the 2000s, we have the rise to power to the so-called “Pink Tide”, which was the name given to these centre-left governments that swept Latin America. This put the brakes on this process, since, although none of these governments completely ruptured with neoliberal paradigms (the Workers’ Party government in Brazil, was not that different macroeconomically, than their predecessors), but they did put a stop to deepening of this process, which was gaining more and more legal strength. Nowadays, there is a second wave of neoliberal deepening in Latin America, and it is about this theme that I want to talk about today.

Professor Antonio Marcelo: Renato, I find this very interesting. I will start-off by highlighting the last part of your talk. You call attention to the centre-left governments, who, although having interesting social policies, did not rupture with liberal paradigms. That is, some people understand that this rupture did happen, but it was not that clear-cut. Thus, you can very well have a social policy without rupturing with the liberal argument. I believe even the 50s Welfare State had demonstrated that this was possible. Of course, I am not judging this process, but saying that this is and was possible.

You also referred to the ideas of Hayek, differentiating between the classical liberal argument of the early 20s, and the 21st century ideas. One thing is the classical liberal argument, namely, the state shall not intervene in the economy. Another is when the state has a juridical function, presenting new parameters. I would like for you to resume this critical analysis of yours about the current moment. The floor is yours once again.

Renato de Gaspi: Well, about the governments of South America, to respond to this last ponderations, the question is that the whole of Latin America went through a phase of a really high price of commodities, which enabled us to work around certain regulations and criteria like the Macroeconomic Tripod, for example. None of these governments broke or changed these regulations, except for Venezuela, which suffered with periods of
extreme instability. But the main question is the following: we were enabled to work around these regulations and, in the fringes, we made social policies on affordable housing and basic income. The “Macroeconomic Tripod” is a model of thinking macroeconomics based on three criteria: floating exchange rates, a primary surplus goal and inflation targeting. We are bound to this since the 2000s as a given, this is put to us as a law. South American governments did not change these macroeconomic regulations, but worked around that with social policies, but this was only possible because of our exportations, and when this phase was over, we made no systemic change in Brazilian economics. The possibility of doing expansionist policies was also gone.

About the current moment of Latin America, we have the rising of governments which are headstrong in deepening these regulations and systemic liberalization. The government of Michel Temer put in his finance ministry the banker Henrique Meirelles – who was, after all, also the Central Banker appointed by Lula – who is now the one who runs the Brazilian economy. But what changed in fact is the political will of the President, which is very important. The moment we now see in Brazil is one of privatization of our pension system and of labour laws flexibilization, which is quite connected to the neoliberal principles. We have a pension fund that will be now for the financial market to take care of, so who will profit out of this are mostly the banks. Professor Antonio, I will ask you a question now, if I may be so forward: if you know the state will not pay your pension in the end of your career, what will be your first provision? Probably, you will start putting money in a private pension fund.

Professor Antonio Marcelo: Yes, that is true.

Renato: the money you put in a private pension fund will be “played with” in the market by the bank, the same as all the “other moneys” in the economy. No money stays put in the bank; if it is paying you an interest rate (usually really small), the bank is gaining more interest in the market and profiting in this spread. So when you privatize pensions, you strengthen even more the banks. In the case of the labour laws, which are also being made more flexible in
Argentina, you are also adopting a neoliberal idea of the labour market, because neoliberals will look at strict labour laws as an impediment for the normal functioning of the market. The idea they are defending is the following: there shouldn’t even be a minimum wage, because this should be discussed between workers and bosses. The worker will leave his home to work if he thinks the wage is fair, and the boss will only hire if he believes he is paying a fair wage, so this would be a negotiation between two equal parties. The internal logic of this system makes sense, but its problem is that it has no correlation with the objective reality. Internally, this train of thought is correct, but in concrete issues it is not up to speed.

Professor Antonio Marcelo: I want only to make a comment and then I will give the floor to José and Rafael. The comment is about the information you brought about the so-called “Pink Tide, when the centre-left governments do not defend a neoliberal model. Also, when you bring the question of commodities, that is, products with low aggregate value, and Brazil, I agree with you, is still a mere exporter of commodities. When these products had their price really high up, Brazil was fine. As these prices fall, Brazil is now in trouble, because it effectively did not change this economic model.

I will now use a phrase, which I am personally not very fond of, but that was effectively used for some decades over here, especially after the advent of ECLAC in the 1950s, which is, Brazil, as a peripheral, third-world country, is a mere exporter of commodities and will keep being that way. This became a problem, as the variation of the price of commodities makes or breaks Brazil.

Your analysis also mentions labour laws. You emphasize the fact of propagating accords between employer and employees, as they were equal parties, and we know this is not true, much the opposite. Now I would like to hear from José Medeiros and Rafael Lima. José, please, the floor is yours.

Professor José Medeiros da Silva: Firstly, I would like to say that it is a great pleasure for me to be participating in yet another edition of our International Forum of Ideas. Today, coincidentally, I am here at Rafael’s place in Beijing, and being very well received. I would also like to congratulate Renato
for making such a didactic and deep presentation about neoliberalism. It makes us very happy to see young intellectuals like him contributing so we can better understand Brazil and the world we live in. About the theme of neoliberalism, I am not a specialist, but we notice that it is a fruit of a historical time, coinciding with the financialization of economics, mainly after the 1950s. What we call neoliberalism, if we are to use a simplified explanation, is that it is a world dominated by bankers, that have a lot of money, and want to make even more. So they seek control of governments in almost all regions and countries, and seek to control and regulate the apparatuses off society, government, companies, so they can increase profit margins. These profits mean interest for them, and are also connected to wage reductions and less or no labour rights, etc.

In Brazil, these bankers have operators in key-functions, like the Finance Ministry, the Central Bank Presidency, etc. They also possess, in the mainstream media, the propagators of their ideas. These people are specialized in disguise the real intentions of these bankers, thus better controlling the whole of society. So I believe that it is one of the people’s tasks, that is, not accepting that the discourse of a one-sided politics, coming from bankers, prevails in the ordering of our society.

Professor Antonio Marcelo: Now let us hear from Rafael Lima. Rafael, please make your comments.

Rafael Lima: Thank you, professor! Renato, firstly, congratulations for the presentation. My line of thought goes towards Renato’s comment on political will. I believe that Economic Policy is one of the policies applied by government, but it is not Politics. It is one of the various policies that are applied with a greater goal “X”.

I always insist on that, because we discuss much about neoliberalism, which is the economic policy to be applied, but the question is exactly what José pointed out… which policy are we going to apply, and with what finality? For a country that does not have a strategy, a goal, and knows not where it wants to reach, it does not matter the applied policy, right?
Now, of course, the ones who have interests and is connected to these international companies, neoliberal policies is what fits the best, so of course this will be applied.

We have other models, as the Chinese one, for example, which cannot exactly be framed like neoliberal, but question this model. Not indirectly, but in practice. China is this State Capitalist that we are still seeing to where it is going. But the question that stands out and is really posed is: the economic policy will be applied, but on the service of whom?

I believe José brought this up very well. Where do we want to go, What are we going to do? And then we can decide which are the most adequate policies, so I believe that, decided where do we want to go, we can actually decide what is the best policy to be applied. Maybe neoliberalism is what fits us best, not necessarily it is a bad thing. It is bad because today it may be perverse for the majority, but what if we establish that as what we want here in the forum?

I do not know, I am just raising the question, I am not saying yes or no, but these are questions to be posed. The economic model is what is wrong, or is it something else? We have to discuss who this policies serve. Anyway, these are questions and provocations, but I agree with Renato’s exposition, and understand what he wants to say, I am just complementing his ponderations.

**Professor Antonio Marcelo:** Renato, I would like to build on what José and Rafael said, and put another question to you. I wonder whether the situation is really that bad? What if the problem is of another order? When we talk about labour laws, every theorist that analyses that, claims that they are an anti-capitalist instrument. That is, they form a set of non-capitalist arguments in the sense that they come about for understanding that labour relations are not isonomic, that is, between parties with similar power. And thus comes my question: if I consider that that labour laws are an anti-capitalist instrument, is the labour question the last battlefront for neoliberalism?

**Renato de Gaspi:** The questions were so good, that I think they all go the same place but by different roads. I agree with Rafael, I believe that if we look at economic matters, although economists would like to believe that, economics
will never be an exact science, *never*. It is dealing with people, with trial and error, uncertainty, and not only numbers. So the question is to bring economic debate back to the field of politics. So, José was very right in what he said about national economics. When you have the Neoliberal Consensus, you start having financial de-regulation, which led to an increased vulnerability of nations. Of course, China is a very *sui generis* case, it is a gigantic country who adopted certain bits and pieces of neoliberalism and threw out what was not convenient for its national project.

Because it is so particular, China is not an example for anyone. The case of Latin America, however, is unfortunately similar to Southeast Asia. What we did was depoliticize economics, creating technical solutions. Therefore, the majority of countries abolishes its capital controls by technical prescription, a process which dates back from the 1980s. So countries had less problems of capital flights, for there was control: incoming capital could not leave right away, which is extremely different from today. That said, any country that attempts regulations that are not pro-market, or some kind of macroeconomic policy that does not please this almost supranational institution that is the market, there is capital flight, and you incur in several problems. When international capitals flow away quickly from your country, you have a situation like the one of the Thailand. Capitals left from one day to the next and Thai currency dropped. Thus, Thai debt, denominated in US Dollars, tripled. No country can surmount that, maybe China can, but China has a bigger control on its finances. Well, that given, what is lacking at this moment is a national project. So what is our leg to stand on and choose our economic theory, if we do not even know what our project is?

In this moment, because of this depoliticization of economic debate, there is no possibility for rupture. It is very difficult because every economic action, and you can get that on every newspaper, are narrated, who wins the narrative, wins the ideological game. The narrative espoused by Folha de São Paulo, when Joaquim Levy takes office as finance minister, was that Levy was a technician, just as was Meirelles in the Lula government, or as was Arminio Fraga when Aécio Neves was campaigning.
In Brazil these people are seen as technicians. Guido Mantega, who ruptured a little with their way of thinking, was deemed as a populist. This is a problem because we substituted social justice, a concept which is, by nature, political and contested, by a market justice, which is apparently above everything, and seen as uncontested, and technical. When we “scientificised” economics as hard science, we lose the Political Economy debate. Political debate is extremely necessary and, unfortunately, in the world we live today, economic debate is depoliticized, and ends up defining other subjects as well.

To discuss employment, you need fiscal policy, for example.

**Professor Antonio Marcelo:** Now let us go to the fundamental matters. When you take José’s talk about politization. And then there is something very curious because in economics, if we are to return to its origins, when the very word economics appears in Diderot’s Encyclopédie. The word economics comes from the Greek “oikos” (house), but now the house was not anymore the residence, a home, but the country. So economics, in principle, should be political. Only in the 1950s, if I am not mistaken, Milton Friedman wants to put economics as an autonomous science. This depoliticization of economics happened, also, and perhaps in a graver manner, in Political Science. This depoliticization in Brazil is considered a good thing. Now they want us to believe that our judiciary is depoliticized, and that everything must be. This does not make much sense, because, in the end, nothing is effectively depoliticized. Everything is involved, in some degree, in some level, to some kind of ideology. If we forget that, we will start believing that everything is apolitical, and then, the disaster is inevitable. In the end, in your opinion, what does Latin America want?

**Renato de Gaspi:** We are here talking about theory, it can be a little boring, but it is important. This is why I in the beginning of my talk, I said neoliberalism transcends an economic theory. It is not, it ceased to be because it penetrated political science and even law. So, what happened with Political Science came from the School of Virginia, called the public choice school. In the US, political scientists embraced this with gusto so they could systematize and quantify political questions, like electoral choices and political policy.
choices, for example. And then, as an example, enters a theory like Friedman’s electoral cycles. And there resides the discourse of elections are an inflationary moments, because government will spend more to give employment. And the, when you politicize economics the result can only be bad, they will say.

Professor Antonio Marcelo: Of course!

Renato de Gaspi: Now, the discourse is the following: “we have science”. The other side, the one which defends politics, and the side that wants to do politics with economics, they are “ideological”, neoliberals will say: we don’t have an ideology! It is very difficult for a neoliberal to call themselves that. Neoliberal is a term adopted by critics of this doctrine, for the proponents of it do not think of themselves as propagating an ideology. When we demystify that, it is easier to combat.

Professor José Medeiros: Professor, now to end my participation I would like to highlight the quality of the presentation, which deserves applause. Secondly, I would like to put forward a question for us to think about later: we need to observe that this financial capital, despite being financial, takes power of real and strategic material bases, and of all the social ordering, like industries, governments, etc.

Also it is relevant for us to observe its taking control of the corporate media, which is exactly the builder, or diffuser of its narrative. Thus, this capital works with operators, it is impersonal, but it does have operators in many areas, be that in academia, forming its theoreticians, in law, or in any other field. They seek to legitimize something that is only on their interest, a small group of human beings. Legitimate through narratives and laws, that is, all of that with the support of the State.

For example, if it is approved that one is only eligible to pension payments when one reaches 80 years old, or pensions simply cease to exist, they will produce arguments that this will provide a better economic dynamics and that everybody will benefit. The press divulges that as an absolute truth, parliament approve laws and the social absurd becomes legal. In this scenario, anyone
who combats this is acting illegally, passible of punishment by the state. Thus, we are not talking about democracy, the people is only choosing the names of the ones who are going to applaud and acclaim decisions that have already taken. Of course that there are variations, but in essence that is it.

I will finish by putting some questions: what will be our future if the Lords of Financial Capital continue to be responsible for the ordering and functioning of society? What can we actively do?

This is a group that sees society as profit, and the ultimate point of development is not a better society, or a happy population, fed, dedicated to arts etc. No, to them, it is all about the numbers, the bottom-line, the profit.

So what is success? What is economic success? What is success according to an investor, a pension fund, a banking system. Success is bigger interest rates than, transformed into profits, in the increasing of those numbers.

What is success on a social point of view? So money, the economy, and material goods must be seen as tools for a better humanity, and not as an end in itself, for the satisfaction of little human groupings. So, how can we rupture with this. This is the great question about what we need to think about together.

Professor Antonio Marcelo: we have to make a choice of where to go and then move to what to discuss, what is the priority. This is the neoliberal model, and it is maintaining us as a mere commodities exporter, and this is not going to work. I believe this to be crucially important.

Renato de Gaspi: I also believe that we cannot dwell in past solutions. We cannot take a developmentalist path without a concrete plan, but the question is: how do we plan? The great theoretical and economic debate has only been happening in niches. Actually, Brazil is a bit better than most, for we have great centres of economic dissidence. In the United States there are very few of those centres, very little universities, which are good, but very small. The great macroeconomic debate does not happen in those little universities, because the ones seen as specialists are usually trained at the same universities like Chicago, Harvard… just for us to have a little list of the ones operating Brazilian economic policy: André Lara Resende and Armínio Fraga are trained in Princeton. I believe that we cannot take a single-sided agenda, or a closed-out truth in this narrative which is built in certain countries and then
broadcast in the big media, repeated by academic voices. We do not have to accept that everything is solved, and we have to participate in the decision-making process, because the goods are collective, the interests are collective and this gives us legitimacy to participate in the reflexions, constructions, and so on...

This is politics. We are in chaos, but when politicians come and say everything is fine and solved, are we going to applaud? This reduces the possibility for a deeper democracy, one that transcends appearances, because they are telling us that there are no alternatives. There are, we need to construct alternatives, of course, but the question that sticks is: what comes after neoliberalism?

**Professor Antonio Marcelo:** Rafael, the floor is yours, my friend.

**Rafael Lima:** Well, in closing, I believe we live in a very interesting political moment. I believe Professor José was talking about alternatives, and I believe that some of these alternatives are being created. They are not total alternatives, really, they are spontaneous models that are rising in this quite rich moment that we are living in. These alternatives are already happening, they are already rising, and there is a lot of good things happening here, with a new generation – and I am not ashamed to say – a still unprepared generation, which I am a member of. We are being prepared by practice, not only by theory.

Having this opportunity to have great professors as you to blaze trails so we can, by practice, get better. Through that theory is reinforced. So I would like to thank this space, congratulate again Renato who made a brilliant explanation, and showed that he is competent and that Brazil is on the right track.

He is coming back to Brazil now and we have there a great representative.

Things may seem a without alternative, but I believe that they exist and are getting better. I have no doubt that the future is promising, and this civilized debate that we have is an example that alternatives exist, they are real and will be shaped by respecting human beings and their differences, including their theoretical differences on ideal models to be applied.

We have this capacity to sit down to talk having different beliefs, and work together towards the same goal. I believe this proves we can do something new.

Thank you for the space, professor. Renato, congratulations again.
Professor Antonio Marcelo: Thank you, Rafael. Thank you, José. Renato, the floor is yours.

Renato de Gaspi: I will attempt to shape my final arguments following Jose’s speech. Firstly, about the question of media and the operators, afterwards I will talk a little about alternatives, that I do believe are rising, and are coming from the bottom-up, and need to be strengthened to become political alternatives.

The operators of our economic politics are old acquaintances of ours, and they are training our young economists as well. Our journalists, for example, are not looking up to people who are considered bad at what they do, they watch the best, or who is considered to be the best. And who is considered the best in economics in Brazil nowadays? For example, when you see that Gustavo Franco is trained in Harvard, Joaquim Levy in Chicago, Pёрsio Arida in MIT, Lara Resende in MIT and Armнio Fraga, etc… They are not joking around, they were trained in great universities, and have an important academic formation. Now, they may not know the Brazilian people, but they understand this technical economics apparently well. So, our media and our journalists are seeking information in them. The great challenge is democratizing this debate, removing this debate from the hands only of these operators, because we are removing the people from this equation, and these people are taking us towards a “one-option-road”.

And here I want to talk about alternatives. There are two interesting developments in Europe as we speak. One is happening in the United Kingdom, and it is a society called “Post-Crash Economics”. Three students from the University of Manchester, who were unhappy with the economics curricula, founded it. They created a reading group to get in touch with dissenting literature, and this spread like wildfire. There is one of this societies in several universities in the UK, including Cambridge and Oxford, to show that it is not only us debating this. They started something with only 3 students, and there are now reading groups in several universities, including in China and in Brazil, at the Federal University of Rio de Janeiro. Another question is a group that is
forming, a movement called DiEM 25, created mainly by Yanis Varoufakis, who went headstrong against the European Union, and they are also in this wave of democratizing Europe, where this debate was also depoliticized, and put outside of the democratic sphere. I believe this to be the primordial question, the first thing we have to do is to rescue the debate, this comes before everything. Thank you!

**Professor Antonio Marcelo:** Fantastic! I agree with Rafael. Really, your explanation was extraordinary, raising important issues, and I believe we could talk about this theme for days. This is a truly necessary debate. To finish, I believe everyone agrees that there needs to be a politicization of this debate. To believe that de-politicization is ideal, like the defenders of the “School without party” movement in Brazil, is a great joke. In fact, everything has an ideology and, been there ideology, we have to debate this ideology, verify its validity and practical usage. I believe this is the great lesson of today’s forum.

So I want to thank everyone here, it is always an honour and a pleasure to talk to you all. My very best regards and all the best to you all. Thank you very much!

Translation: Renato Henrique de Gaspi

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1 The “Escola sem partido” movement is one that allegedly seeks to outlaw ideological discourse in classrooms. The main criticism towards this movement, is that, in fact, it is trying to outlaw one ideology in detriment of another, preferred by the movement.