



Economic Nationalism and Developmentalism

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ABSTRACT

This paper offers an overall picture of economic nationalism and its relationship with developmentalism – the form of economic and political organization alternative to economic liberalism that involves a moderate but effective state intervention. Why nationalism is a modern ideology; how it is associated with the nation and the nation-state; why it confronts with the West's imperialism. Why, given the competition among nation-states that characterizes global capitalism, there is an “anti” element to nationalism. Why developing countries must challenge the West's ideological hegemony and define a project of economic development that makes them able to compete internationally and make the catching up.

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1. Introduction

Economic nationalism as an ideology emerges with the formation of nation-states and only gains muscle in the 19th century; developmentalism, in its turn, is a form of economic and political organization for capitalism that stands as an alternative to economic liberalism. In addition, the word 'developmentalism' is used to designate the alternative growth theory to the liberal one. Classic developmentalism or development economics, which emerged in the 1940s in response to the Great Depression, and the new developmentalism that began to gain momentum in the 2000s by building a macroeconomics that focuses on the exchange rate and the current account plus the Keynesian economics that emerged in the 1930s in response to the Great Depression share a critique of economic liberalism. Keynesian economics turned to rich countries and the short term; classic developmentalism did so to poor countries that were beginning to industrialize; and new developmentalism focuses on middle-income countries. The three theories assume a truly sovereign nation-state, and share a recognition that neither stability nor growth can be left entirely to the devices of the market: moderate intervention in the economy is required to ensure full employment and stable growth capable of reducing the difference in per-capita income between developing and rich countries. Insofar as Keynesian and developmental thinking became prevalent after the War, they were associated to a second developmentalism in the countries that originally industrialized,¹ and to an initial developmentalism in some peripheral countries like Brazil and South Korea.

Around 1980, after a crisis in the United States and the United Kingdom characterized by falling rates of profit, low growth rates and rising inflation, economic liberalism was reawakened. Its advocates emphasized the Keynesian developmental model's inability to assure growth with price stability, and ignored the good rates of stable growth that these countries had enjoyed in the Golden Years of Capitalism. Economic liberalism – now in the radical form of "neoliberalism" – first took hold of the universities and then of governments and the economic elites, giving rise to the Neoliberal Years of Capitalism (1979-2008). In the framework of this new liberal hegemony nationalism was viewed negatively as "populism", and the term developmentalism was associated to fiscal irresponsibility. This assault on developmentalism and economic nationalism was part of the new financier-rentier hegemony



that affirmed itself beginning in 1980 with support from neoclassical economics or liberal orthodoxy. There were some grounds for the criticism because, since the second oil shock (1979), several Latin-American countries refused to make the required macroeconomic adjustments and embraced a vulgar, misguided Keynesianism. But in spite of the developmental mistakes and the neoliberal assault, the concept and ideas of developmentalism remained alive. And so, in the 2000s, insofar as the neoliberal policies and reforms failed to make good on their promises and implied sluggish growth, high financial instability and a marked increase in inequality, they rose back to the surface and became the subject of increasing interest in developing countries.

Considering only the countries that made their national and industrial revolution (or capitalist revolution) we may categorize them as "central" or "peripheral", depending on whether or not to industrialize they had to face the *modern* imperialism of the countries that first or originally industrialized; central countries, in their turn, can be divided into "first to industrialize" and "late to industrialize" countries; and peripheral ones into "independent", truly autonomous countries, and "national-dependent" ones. First to industrialize central countries include the likes of England and France, and latecomers are central countries that made their industrial revolution later on, such as the United States and Germany. They are all rich countries now. Peripheral countries are those that had or still have to challenge the power of central ones. Independent peripheral countries are ones such as Japan and South Korea, which have been entirely successful and are now rich countries; China, India and Vietnam, too, are in this class: they are middle-income countries, but grow at a fast pace. National-dependent peripheral countries are those like Brazil and Turkey, whose elite are ambiguous, now nationalist, now dependent. This is why I use an oxymoron to designate them. Capitalism was crucial to the development of these four kinds of countries. The fact that the fourth was less successful than the third is largely due to the contradictory, and frequently dependent, nature of their elites.

Economic nationalism and developmentalism are two ideologically loaded political realities, but one can analyze them in a reasonably objective manner. This is what I will



attempt in this article, by analyzing nationalism and developmentalism in central countries first and peripheral ones second.

2. Nation and Nationalism at the Center

Nation and nationalism were core elements in the countries that are now rich. Each people that succeed in realizing its capitalist revolution usually undergoes three phases: a commercial or mercantile revolution, a national revolution or the formation of the nation-state, and an industrial revolution. If, when making its national revolution, a country had to challenge the modern imperialism of the original industrialized countries, we may refer to the national revolution as a *nationalist* revolution. In the historical process of nation-states' construction, nationalism and liberalism have been the two central ideologies. Nationalism was the ideology of the national bourgeoisies, which carried out the national and capitalist revolution in association with the absolute monarch. Developmentalism, in its turn, became the deliberate national development strategy that countries embraced to make their national and industrial revolution and, then, continue to achieve satisfactory growth.

Nationalism implies a basic, but inevitably contradictory, association between the elites and its people, with which it maintains a relationship of permanent conflict and cooperation. A cooperation that stems from the shared interests of all the citizens organized as nation that unites all of them, the state that is their instrument for collective action, the domestic market that is their biggest economic asset, and their national currency that is its assurance of national autonomy. A conflict that reflects the legitimate struggle of workers and the middle-classes in the sharing of the economic surplus that economic growth generates.

Within the framework of each nation-state, modern or capitalist societies organize themselves informally as a nation or as a civil society. Civil society is the people organized into social classes, the nation is the people who share a common history and destiny, control a territory, and form a state endowed with sovereignty. Civil society is contradictory by nature because the class struggle occurs within in and, but it is also the realm in which citizens fight for freedom, equality and, more recently, protection of the environment. The nation, in its turn, is or tends to be united or solidary for the assurance of national autonomy, security and



economic growth. In principle, each nation builds its own state – its legal-constitutional system and the public administration that upholds it – because, like any society, it requires an institution to organize or structure itself. In certain cases, however, as in Brazil, the state predates the nation: national independence was formally achieved in 1822, and a construction of a state began at that point; construction of the nation proper would only take place one hundred years later.

In the historical process of capitalist development in the countries first to industrialize like England and France, the modern state was originally developmental (the mercantilist state); then liberal; following, developmental for the second time since the Great Depression and the Second World War to the 1970s, but now within the framework of a democratic and social state; finally, since the 1908s, the state was liberal again, but this time not at service of business entrepreneurs, but of rentier-financier class coalition, which has been attempting to destroy the Welfare State.. Other countries who developed late compared to original-development ones, from Germany and the United States through to Brazil, Mexico and China, have also made their industrial and capitalist revolution within the framework of developmentalism. The latter three remain middle-income countries, but while China remains developmental and continues to catch up, Brazil and Mexico yielded to economic liberalism in the late 1980s, their previously developmental economic policy regime became liberal, and they therefore ceased to catch up and lagged behind.

Nationalism assumes a nation capable of forming a national and developmental class coalition and defining a national development project. When a society is deeply divided into social classes, the bourgeoisie tends to unite around a liberal economic policy regime. When it senses an external threat, or when it manages to define a national development project, the nation imposes itself to civil society and a developmental class coalition forms. In such times, the two ruling classes – the capitalist and the techno-bureaucratic classes – divide into fractions, and manufacturing businessmen, workers and the public techno-bureaucracy form a developmental coalition in a struggle against a rentier-financier coalition formed by rentier capitalists, financiers and the senior private-sector techno-bureaucracy that manages major corporations. The developmental coalition gives rise to a popular and national economic



policy regime such as those found in rich countries between the 1930s and the 1970s (the Fordist coalition),ⁱⁱ and also in some peripheral countries that, with a lag of about ten to twenty years, then made their national and industrial revolution (in Latin America, this was the national-developmental coalition).ⁱⁱⁱ

The process of social and political construction of the nation and the state thereby occurs by means of a complex system of political struggle that defines the greater national values and objectives, citizens' rights (civil, political, social and republican), the political regime, which is originally authoritarian and then democratic, and the manner of economic and political coordination of society, which will be either predominantly developmental or predominantly liberal. In addition to expressing itself in classes and class coalitions, the relationship between society and state in today's complex and plural societies expresses itself in ideologies, in partisan coalitions, in the lobbies of society's various corporate organizations, in the political advocacy of social accountability organizations, and in public debate.

Nationalism is the nation-state's ideology. Before a nation forms, there is a *people* living in a territory, sharing a common history and sufficient common traits and interests to stand as a nation, dominate a territory and build a state, thereby forming a its nation-state. For a people to become a nation, it does not have to be ethnically homogeneous, as the United States and Brazil show, or even speak the same language, as Switzerland proves, but it must have (or build) a shared history and, as Otto Bauer (1907) puts it, assume a common fate. The nation is essentially a modern political phenomenon that begins to emerge within the framework of mercantilist capitalism and the formation of the first modern nation-states, but only consolidates historically in the nineteenth century. The nation, like civil society, is the living, dynamic and political aspect of society. Whereas the nation is focused on national autonomy, security and economic development, civil society addresses individual liberty, social justice and protection of the environment. In sum, the nation is politically organized society as concerns national autonomy and development; it is a society that shares a history, values and objectives, and possesses (or struggles to possess) a state and a territory to form a nation-state.



Extensive literature now exists on nationalism that has come to a relative consensus on one point: nation and nationalism are modern factors. We see this in the work of Eric J. Hobsbawm (1990), Ernest Gellner (1983, 1993), Miroslav Hroch (1996, 2005), Benedict Anderson (1983) and Anthony D. Smith (1986, 2003). They all find an ethnic character in capitalism, but regard it mainly as a modern, capitalistic, political phenomenon that involves cultural identity. Contrary to conventional wisdom, the German and the French did not establish nations and become nationalistic during the Middle Ages. Only in the 19th century can one speak of a French nation or a German nation proper. As Hobsbawm (1990: 14) pointed out, "the basic characteristic of the modern nation and everything connected with its modernity. This is now well understood, but the opposite assumption, that national identification is somehow as natural, primary and permanent as to precede history, is so widely held that it may be useful to illustrate the modernity of the vocabulary of the subject itself." He then shows that the first definition of the term nation occurs in a Spanish dictionary of 1884.

For Ernest Gellner (1983: 1), nationalism is "primarily a political principle that holds that the political and the national unit should be congruent." In other words, each nation seeks its own state, and nationalism is the ideology by means of which each nation attempts to establish itself as such, build its own state and dominate a territory, thereby forming the sovereign nation-state. Based on the contributions of both Ernest Gellner and Miroslav Hroch, we know that at first it is not the nation that defines nationalism, but the nationalism of a political elite that forms the nation. Put differently, the nation is not a "natural" given, but an artifact that a society uses to affirm its interests and values. # It resulted from the political action of intellectual and bourgeois elites that achieved a sufficiently strong alliance with their respective peoples so that, together, they might defend and expand the national territory and industrialize.

For Miroslav Hroch (1996: 88), "between the starting-point of any national movement and its successful conclusion, three structural phases can be distinguished, according to the character and role of those active in it, and the degree of national consciousness emergent in the ethnic group at large." The linguistic, cultural, social and sometimes historical attributes;"



in the second phase, "a new range of activists emerged, who now sought to win over as many of their ethnic group as possible;" in the third phase, when a majority of the people have already formed their national identity, "a mass movement was formed."

A nation and its nationalism may be weak or strong insofar as its members truly share interests and objectives. It is something that is built and unbuilt daily. For this reason, at a celebrated conference, Ernest Renan (1882) argued that nationalism "is a daily plebiscite". With this he was pointing out that the nation is an *ever-unfinished construction* under constant of submission and conformism. Norberto Elias (1968) clearly saw that development, or the "civilizing process", dialectically combines two contradictory processes: differentiation and integration. Differentiation is the fruit of the division of labor. Integration, in its turn, is achieved by means of the formation of the nation-state. An aristocratic elite aligned with the monarch associates with a bourgeois elite around two equally opposite ideologies – nationalism and liberalism – and, based on this pact the rising bourgeoisie above all attempts a national agreement with the people. For Elias (1968: 210) development implies "the march of integration over several centuries, complemented by a process of increasing differentiation."

We will better understand the classical empire and the nation-state if, following the reasoning of Ernest Gellner (1993), we oppose one to the other.^{iv} The empire is the political-territorial unit that characterizes the most developed societies of the distant past, those that Gellner calls "literate agrarian societies" – a concept that includes slave societies and feudalism, as well as the mercantilist and aristocratic societies of the "ancient régime" –, whereas the nation-state is capitalism's peculiar political-territorial society. While the basic problem in the age of empires was the accumulation of power, it is the accumulation of capital in the day of nation-states. The logic of imperial domination assumes the presence of a superior culture at the center of the empire and of an imperial elite that monopolizes it. Unlike what will later be the case with nation-states, these cultures have no interest whatsoever in transferring their superior culture to the colonies. It was all well and good for them that a colony should keep its language, traditions and religion. What mattered was subordination and tax collection only. Because their domination must enjoy legitimacy, for these two



objectives to come true the imperial elite must become associated with some, if not all of the local elite, and share with it its appropriation of economic surplus.

This is different from the nation-state, whose logic is the logic of capitalism: capital accumulation and the increase of productivity, which requires the integration of the entire society under a single culture and the use of public education to achieve this. It is no accident that now, within the framework of global capitalism, nation-states cover the entire surface of the Earth. The nation-state, as Marcel Mauss (1930) remarked, is, on one hand the more advanced type of society that men formed, and, on the other hand, is the manner of political organization of the territory that best realizes the logic of capitalism: economic growth through the realization of profits, and capital accumulation with incorporation of technical progress.

3. Nationalism and Mercantilism

When nationalism has a primarily economic nature and defends moderate state intervention in the economy to achieve economic growth, when it proposes economic policies involving *active* micro and macroeconomic policies, it turns identical to developmentalism. Nationalism and economic liberalism are two bourgeois ideologies that emerge with capitalism; developmentalism and economic liberalism are two different forms of organizing capitalism. In each country, the bourgeoisie was originally nationalist to make the industrial revolution, but in the nineteenth century it turned also liberal as a means to set limits to the power of the absolute state (the political aspect of the mercantilist state), to escape the tutelage that this authoritarian state exercised. In this way, nationalism as well as developmentalism and economic liberalism dialectically express the interests of the new capitalist class.

The national revolution or formation of the nation-state in central countries was not peaceful. In Europe and North America, from the seventeenth century to the early twentieth century, the countries that are now rich waged wars to expand and define their boundaries, because only thus could they constitute the large and safe domestic market that industrialization required.^v They were successful in this historical endeavor and developed



because their elites were originally nationalistic and could therefore build their respective nation-states. Later, in the nineteenth century – now much stronger because they had industrialized – the first countries to industrialize turned nationalism into imperialism and built their colonial empires in Asia and Africa, while they imposed ideological hegemony to the Latin-American countries, which had been the colonies of two merchant powers, Spain and Portugal, and had become independent in the early nineteenth century.

Beginning with national and industrial revolution, the bourgeoisie in each country was originally a manufacturing and entrepreneurial bourgeoisie; it is now, essentially, a rentier bourgeoisie. The opponent of the bourgeoisie in the early phase of industrial capitalism was the aristocracy or traditional oligarchy. But as a country continued to develop and grow distant from its industrial revolution, a new branch of the capitalist class – one made up of heirs – became differentiated from the Schumpeterian entrepreneurs and gradually replaced them. The new rentier capitalists soon associated to the financiers (the private fraction of the techno-bureaucratic class that proved competent in managing the rentiers' wealth); it also associated to the ruling classes of the rich or imperial countries that are interested in occupying the domestic markets of developing countries with their multinational corporations. Therefore, in today's rentier-financier capitalism, two class coalitions tend to struggle over power – one developmental and the other liberal – this one, imperial on the standpoint of the rich countries, dependent or colonial, on the standpoint of the developing countries.

When we speak of developmentalism we usually mean the peripheral countries, but the central countries first to industrialize had embraced developmentalism much earlier as a means to make their national and industrial revolution. Developmentalism and nationalism are, therefore, almost synonymous. A first or early developmentalism (mercantilism) was prevalent in Europe between the 16th and 18th centuries. The mercantilist state was nationalist because the criterion for economic policy was always and clearly the country's interest and because it regarded other countries as competitors whose interests were in conflict with its own; it was developmental because it made use of state intervention to foster the industrial revolution and because it was based on a developmental class coalition made up of the monarch, the nobility and the nascent high bourgeoisie. Mercantilism's greater



development project was the formation of the nation-state, the construction of a large domestic market and the realization of the industrial revolution in England, France and Belgium. To this end, it waged war after war against its neighbors. And, because it was building a capitalist economy, it intervened in the economy to organize monopolies that expressed the association between the absolute monarch and the bourgeoisie. Thus, the notion that development in England and later in the United States took place within the framework of a liberal market economy is not true. The Industrial Revolution occurred in England within the framework of the mercantilist state. In the history of economic thinking, mercantilism is regarded as a misguided school of thought against which the classical and liberal school that Adam Smith founded launched a successful challenge. This is partly true, but doesn't remove from the great mercantilist economists the merit of having founded economics. On the other hand, it was within the framework of the mercantilist state that the first national and industrial revolutions happened. England adopted high tariffs until as late as 1834. Only since then can a liberal state be discerned there. The United States maintained extremely high customs tariffs until 1939. Late central countries, such as Germany and the United States, industrialized later, not under mercantilism, because they had, first, to form their nation-states, but they industrialized under what be called Bismarckian and Hamiltonian developmentalism. For Friedrich List (1846), the founder of economic nationalism, a shared national identity causes a nation to embrace a national development project.

It is therefore difficult to agree with Eric Helleiner (2005: 220), for whom economic nationalism may be liberal and should not be associated with mercantilism, as Robert Gilpin (1987) rightly proposes. Economic liberalism is opposite to economic nationalism because the latter inevitably implies some economic intervention, which economic liberalism rejects. It is normal for a rich country to embrace a liberal economic policy regime combined with nationalist policies, but this is not to say that economic liberalism and economic nationalism have become compatible. The two economic policy regimes are contradictory, but the capitalist class has always dialectically tried to embrace the two ideologies at once.

Yet, a developmental administration that is *not* nationalist is possible, provided that we have a narrow definition of economic nationalism. Analyzing the Juscelino Kubitschek and



Arturo Fondizi administrations, Kathryn Sikkink (1991: 4) identified both as developmental and non-nationalist administrations, because they did not prioritize domestic companies over multinationals. She reserved the term "national" to designate administrations that gave priority the national companies. This combination of economic liberalism with economic nationalism was possible because central countries were originally nationalist and developmental; beginning with England, they realized their industrial and capitalist revolution always in the framework of a developmental state and a developmental capitalism. They became again developmental after World War II, between the 1950s and the 1970s, in so far that they assigned an important role to indicative planning and to government-owned companies. Over those three decades, the World Bank, which would later become the instrument for neoliberal reforms, was the main hub of developmental thinking and policies.^{vi} From 1951 to 1953, the Brazil-United States Mixed Commission proposed economic planning for the non-competitive sector of the Brazilian economy and defined projects intended to "create the conditions for incrementing the flow of public and private domestic and foreign investment."^{vii} The ECLAC, where classical developmentalism flourished in those three decades, defended this view although it is a United Nations agency. All this changed with the rise to political power of a liberal, financier-rentier, class coalition that took place around 1980. From then on liberals lost their commitment to their nations, turned "globalist" (the world would be a world without frontiers), and engaged in denigrating economic nationalism and developmentalism.

4. Nationalism, Ethnicity and Dependence

Nationalism is not the same as cultural identity, although the two have much in common. A country may have a strong cultural identity, but still be economically and politically subordinated. Brazil and Mexico have strong cultural identities, while in Canada such identification is much softer. But Mexico, whose roots lie in the great Aztec and Maya civilizations, became a member of the NAFTA, and its idea of nation was lost; this happened also to Brazil, although in a lesser extent. Meantime, Canada's cultural identity appears to me to be fuzzier, but its people are clearly aware that they make part of a nation to which they are committed; its cultural identity is relatively weak, but its people has a strong national identity,



and no Canadian has doubts that it is their government's duty to defend domestic labor, capital and knowledge.

Nationalism may be economic – oriented to affirm national economic interests in a global economy where nation-states compete with each other –, or it may be ethnic and, consequently, racist and warlike. In the former case, nationalism assumes the presence of a society with a common history and a common fate, whose members share the conviction that the role of the state and its government is to defend the interests of national labor, knowledge and capital. The criterion for being a nationalist is not ethnicity, but the pursuit of growth on its own terms, rather than in subordination to richer and more powerful countries, which are presumed to be more competent in dictating the economic policies that the developing country should embrace. Dependence or colonial subordination is therefore the opposite of nationalism. It is the belief in the inability of a people to organize as a true nation, develop its national bourgeoisie and a likewise national public bureaucracy, define a developmental strategy, and make the national and industrial revolution. This dependence is justified by the "evident superiority" of rich countries or, in other words, by a complex of colonial inferiority that makes people believe that it is impossible to form a national bourgeoisie as did the rich countries when they formed their nation-states and industrialized. In developing countries, except the ones in East Asia, a significant part of the elites (a) rejects the presence of a conflict of interests with rich countries; (b) believes that they "need" rich countries' capital, forgetting that capital must be made at home and that foreign capital inflows appreciate the exchange rate and cause a high substitution of foreign for domestic savings; (c) accepts and embraces liberal economics in its universities; (d) assumes that rich countries' advice and pressures are good because they are "more competent". Often such elites are not just dependent elites, they are anti-national elites.

It was this dependence (in strange association with a Marxist criticism of the bourgeoisies of developing countries), that gave rise to the "dependency theory" – a misguided criticism of the thesis that developing countries should make their national and industrial revolutions by forming a developmental class coalition associating the national bourgeoisie with the workers and the public bureaucracy. Dependency theory, based on the

fact that the industrial bourgeoisie in Latin American countries, scared by the Cuban Revolution (1959), associated with the liberal and dependent elites in the military coups of Brazil (1964), Argentina (1967) and Uruguay (1968) to assert that a national bourgeoisie was an impossibility in Latin America. This interpretation quickly subdivided into two streams whose common belief was the impossibility of the national revolution: André Gunder Frank's (1966) and Ruy Mauro Marini's (1969) imperialist overexploitation; and Fernando Henrique Cardoso's and Enzo Faletto's (1969) associated dependency. Since the formation of a national bourgeoisie was "impossible" for them, the solution offered by the advocates of the former version was the socialist revolution, whereas the latter argued for association with the center or the empire, relying on a growth with foreign savings policy, that is, on current-account deficits financed by direct investments from multinationals.^{viii}

Intellectuals from emigrant countries tend to emphasize the ethnic nature of nationalism, while the intellectuals from immigrant countries, like multi-ethnic nation-states Brazil, are more interested in economic nationalism. And there are countries where very different ethnicities formed the nation-state, such as Switzerland, Belgium, France and the United Kingdom. Some analysts differentiate between "civic" and ethnic nationalism, accepting the former and denying the latter. This is a good distinction, but it is also important to differentiate between ethnic and economic nationalism, which is independent from the former –, because we all know how unfair and inhumane ethnic nationalism can be. Nationalism is always identitarian (it requires each one to identify with one's nation), and must be civic, that is, mindful of human rights and the public interest, but it must not be ethnic, it must not involve discrimination against those who do not share in the dominant group's ethnicity. It should be only economic, oriented to the national development in a global world where nation-states compete among themselves, more than they cooperate.

5. Nationalism and Developmentalism on the Periphery

In peripheral countries, economic nationalism assumed the developmental shape starting in the 1950s. The word "developmentalism" entered usage in the 1960s in Latin America to designate the set of economic policies or strategies intended to promote national industrialization or development.^{ix} In Brazil, it emerges among a group of nationalist



intellectuals that collected around the ISEB.^x For one of them, Hélio Jaguaribe (1962: 208), "the central thesis of developmental nationalism is that the promotion of economic development and the consolidation of nationality are two related aspects of a single emancipation process". Beginning with the nationalist revolution of 1930, which brought the rise of Getúlio Vargas, a positivist and nationalist political leader, Brazil began to successfully have its national and industrial revolution. Its instrument was a state that was undergoing deep reforms at the time to play the role of a developmental state. Other countries in Latin America, Mexico in particular, and East Asian ones like South Korea, Taiwan and Singapore, also grew with the adoption of a developmental strategy.

Developmentalism therefore became the strategy need to coordinate capitalism and catch up. But it does not ensure development. This will depend in each country on the ability of its elites and its people to avoid economic "populism", be it of a fiscal or exchange-rate nature, and to form a developmental class coalition. In 1991, Kathryn Sikkink compared the success of developmentalism in Brazil with its failure in Argentina. Whereas a developmental class coalition formed and became dominant in Brazil for 60 years (1930-1990), in Argentina a developmental class coalition did not defeat for long the liberals associated with "el campo" (the landowners engaged in the production of commodities), and the country experienced alternating liberal and developmental regimes, with crises in-between.

Although the notion of developmentalism already existed, that of a developmental state originated from Chalmer Johnson's (1982) study of the Japanese Ministry of the Economy, Trade and Industry. While attempting to understand Japan's extraordinary economic development, he was the first to use the term "developmental state".^{xi} Japan's nationalist and developmental state was born out of a nationalist revolution – the Meiji Restoration of 1868 – after the country became subordinated to the United States in 1854, when it was forced to open up to international trade. As Barbosa Lima Sobrinho (1981) pointed out, Japan's economic nationalism had to include an "anti" (anti-imperialist) element because, in order to affirm its interests, Japan had to challenge the center of the empire, its pressures and its prescriptions.

But nationalism also includes a positive, developmental element: the consensual formulation of a national development project. When it successfully defines such a project, the nation becomes the great agent for economic development, the state becomes its principal instrument to this end, the market serves as a secondary but essential instrument, and manufacturing businessmen are politically associated with the public technobureaucracy and with workers. This is how the developmental state is defined: a state that intervenes moderately in the economy, that adopts economic development as a priority and that invests in the non-competitive sector of the economy, leaving coordination of the competitive sector to the market's devices, that embraces an industrial policy, that maintains macro-economic prices in balance, particularly the exchange rate, which, thanks to an exchange-rate policy, makes the country's competent manufacturing companies competitive.

In nationalist countries, criticism of modern imperialism, or of the "West", is an essential element. Álvaro Vieira Pinto (1960b: 387, 394), ISEB's main philosopher, offset "naive conscience" and "critical conscience", associated the latter with nationalism and saw nationalism as a condition for *thinking*. For him, "nationalism stands as the only means to overcome and suppress an underdeveloped country's alienation." And: "The ability to think for one's self about one's truth and about the surrounding existence arises from full awareness of one's self and essence, a condition that defines the unalienated state." Although he belonged to a different philosophical tradition, Paulo Arantes (2004: 80) moves in the same direction when he states that "nationalism is fundamentally the consequence of the stress generated by uneven development in a unified world economy". To understand the nationalism found in Brazil and Latin America and its weaknesses, Arantes provides a broad review of Benedict Anderson's (1991) concept of the nation as an "imagined community" born not just from shared interests, but also from the coexistence of "creole" elites that the metropolis marginalizes, from the reading of newspapers by these elites, which allows them to see or identify itself as a national society, and from the reading of novels where the society as a whole is portrayed.

After this analysis, Arantes reports to Hannah Arendt's distinction between thought and knowledge. Whereas knowledge is only committed to the "truth", thought permanently



reports to the opinion of others and, in doing so, in taking this opinion into consideration to form its own judgment, manages to reestablish the unity between, truth, morality and taste that modernity has lost. Based on this, Arantes arrives at an intriguing and provocative conclusion. Referring to Brazil and to the Brazilian nation as an imagined community, he writes that "it was precisely this national imagination that enables us to start thinking – and when it dims, it may well be that the extinction of *thought* will follow right behind " (p.83). (My italics.) In order to think, we must think *about ourselves*, we must use our imagination and consider our society's complexity and diversity, we must find unity, a national society, in it. "We then understand" – Arantes continues – "the suggested affinity between a national imagined community and its very way of thinking... Who can tell if it is not this community of imagined 'others' in the forming of a 'nation' (since we know that it cannot be substantively real) that simply enables this silent self-regulation in everyone's head that we call thought" (p.100-102).

Henryk Szlajfer (2012: 3), in reference to the economic nationalism that emerges in Latin America and Central Europe from the 1930s, states that "peripheral nationalism was not just an economic policy and, in certain instances, an attempt at theorization. It was also, like political nationalism, a kind of *Weltanschauung*". It was a worldview because it was the fruit of a political pact or class coalition that perceived an opportunity to overcome underdevelopment and formulated a coherent discourse to justify it at a time when economic liberalism was in deep crisis. Since 1980, developmentalism was put in the opposition at world level, while a rentier-financier liberalism produces low growth rates, high financial instability and a marked increase in inequality.

A developmental state is necessary in peripheral countries for them to make their national and industrial revolution and then catch up. Within the liberal state's framework, the growth rate of per-capita GDP in the countries first to industrialize in the nineteenth century was around 1 percent per year. In the twentieth century, this rate almost doubled, so that for developing countries to catch up they must grow at least 3 percent annually per capita. Now, to attain such growth rates, they cannot be subject to the recurring financial crises to which countries under a liberal economic policy regime are liable, not only because of the



speculative nature of capitalism, but also due to the tendency to cyclic and chronic overvaluation of the exchange rate that is present in these countries.

On the other hand, on the microeconomic level, one must bear in mind that in a capitalist economy a competitive and a non-competitive sector exist. The latter is small in terms of the number of business firms in it, but large in terms of capital and sales. The market is unsurpassable when it comes to coordinating the competitive sector. In the non-competitive sector, on the other hand, state coordination, planning, the definition of forms of financing, all of these are essential. In the competitive sector, in its turn, the state must strategically embrace an industrial policy.

Developmentalism and economic nationalism are frequently identified with the defense of protectionism and the imports-substitution industrialization model. Developmentalism has in fact argued for protection of the national manufacturing industry using the nascent industry argument – the one that Alexander Hamilton pioneered in 1792, when he was Secretary of the Treasury of the United States, and that Friedrich List later picked up. But both the protection based on this argument and its consequence – imports-substitution industrialization – are necessarily temporary. For middle-income countries, new developmentalism is critical of protectionism. The primary goal is to level the playing field for existing and potential manufacturing companies – which cannot occur when the tendency to cyclic and chronic exchange rate overappreciation is not neutralized and the rate remains overvalued for long periods of time.

6. Imperialism by Hegemony

The modern imperial system, which originally drew support from military might, formally came to an end after the Second World War, pushed back by struggles for national independence. It did not, however, disappear; it became a form of imperialism *by hegemony*, drawing support from international regulatory and financing agencies and the superior capabilities of Academia and the media in central countries. The world today is covered in nation-states, but in many of them the nation is a fiction, a soulless being, because its elites are alienated or dependent and attempt to associate with rich countries' elites rather than their



own people. Among peripheral countries, some laggards were able to finally have their nationalist revolutions and industrialize after the Second World War. These cases include Mexico, Brazil, Turkey, South Korea, China and India among others. There, the state was developmental when they made their national and industrial revolutions. The state promoted economic development more deliberately and with heavier planning than countries first to industrialize. While for rich countries a *national* revolution (the formation of the nation-state) sufficed, peripheral countries required a *nationalist* revolution – an anti-imperialist struggle for national autonomy that splits into two stages: overcoming colonial status and becoming autonomous from the ideological hegemony of imperial countries. Therefore, peripheral countries, faced an obstacle that central ones never knew: besides the huge difficulties associated with the people's low education level, with institutions that provided little assurance for the proper functioning of the market, with the lack of long-term financing for investments, the lack of macroeconomic policies to maintain aggregate demand in balance, and the lack of economic policies to neutralize the tendency to cyclic and chronic overappreciation of the exchange rate, they face the challenge the West's imperialism by hegemony represents, their pressures and policy and reform recommendations.

To develop, peripheral countries needed economic arguments rejecting the neoclassical thesis that industrialization is unnecessary for economic growth. Construction of these arguments was the contribution from economists associated with development economics, or classical developmentalism, such as Arthur Lewis, Gunnar Myrdal, Raúl Prebisch, Hans Singer and Celso Furtado. This argument provided a greater contribution to economic development theory, but, besides it and the statement that rich countries used the liberal ideology to oppose the industrialization of peripheral countries, the nationalists of the 1950s lacked additional strong arguments against the West. They were limited to criticizing the profits transfers that multinational companies made, but this claim, in addition to being weak (after all, a foreign company has invested, it is natural for it to transfer profits to its shareholders) was associated with a bigger contradiction that developmental nationalists fell into. In the 1950s, the nationalist thesis that imperialism opposed industrialization, despite being evident, *appeared* to have been falsified by manufacturing multinationals' investments



in developing countries – which began to occur as these companies attempted to circumvent the relative closing of borders to consumer goods imports.

The contemporary criticism of imperialism can be summarized as two points: the first one, of a historical nature, consists in demonstrating that policies that the West currently hampers, or even forbids peripheral countries from adopting, are the very same policies that they themselves embraced when they made their industrial revolutions. This was the contribution from Erik Reinert (2007) and Ha-Joon Chang (2002). These two authors used indisputable historical data to show the West's *incoherence* demanding neoliberal reforms and the rejection of developmental policies.

The second criticism of the West's imperialism is of a theoretical nature and shows that, to occupy the markets of peripheral countries with their financings and above all with their multinational companies, the West relies on its economic power and ideological hegemony to persuade these countries that they "must grow with foreign savings" – with current-account deficits, therefore. This is something that dependent elites and their economists usually accept without hesitation. But that the new developmentalism criticizes counter-intuitively and radically, showing that a current-account deficit corresponds to an exchange rate that is necessarily more appreciated than the one that would balance the country's current account (the current equilibrium exchange rate) and to an exchange rate even more appreciated than the one needed to make the country's competent business firms competitive when a country faces the Dutch disease. Therefore, notwithstanding the "lacking" capital in developing countries, they should not resort to foreign financing because, by doing so, their currency appreciates and economical viability is removed from existing and potential manufacturing companies. This would not be the case if the capitalist economy were an exchange economy, but it is in fact a monetary economy where the exchange rate plays a central role.^{xii}

Nationalism was essential to the countries that first industrialized to form their nation-states. Economic nationalism is today the necessary reaction of countries on the periphery of capitalism against domination by central countries. In a previous paper, I argued that the elites of rich countries are interested in discrediting economic nationalism or developmentalism,



and, for that, don't distinguish economic from ethnic nationalism, and associate both to populism, authoritarianism and protectionism.^{xiii} Additionally, they adopted the "globalist" ideology (the contention that the increased interdependence between countries in globalization would have made national sovereignty a meaningless concept), which was a way to obscure their own nationalism and discredit the economic nationalism of the peripheral countries. In central countries, this discourse was possible because the word "nationalism" does not distinguish between citizens: they are all nationalist in the sense that they believe that it is their government's duty to defend the interests of national labor, knowledge and capital. Recently I changed this last view. Globalization has caused the economic elites not only of developing countries but also of the rich countries to lose their idea of nation. The historic fact that gave rise to this was their multinational companies' expansion into foreign markets. The shift of big companies into cheap-labor countries – which did not serve the interests of rich countries' working and middle classes – proved attractive to the financial and rentier elites, whose interest earnings and dividends ceased to originate from their own domestic market and started to come from foreign subsidiaries. The classic national solidarity between workers and capitalists, who had a common interest in defending the domestic market, was therefore shaken. The new elites, which differ widely from the old business elites, adopted an individualistic ideology with no trace of solidarity – the neoliberal ideology – that unleashed the top-down class struggle that we have been watching in the rich world since the 1980s and in the developing world since the 1990s. Through neoliberalism the rentier-financier elites have since then been working to reduce wages and increase profits and competitiveness. The consequence was a response from the working and middle classes, which, feeling abandoned, started lending strength to worker-supported right-wing nationalist demonstrations that, not by accident, first appeared in the United Kingdom, with Brexit, and the United States, with the election of Donald Trump – the two countries where the neoliberal wave began.

7. Conclusion

In sum, nationalism is the ideology of the formation of the nation-state; developmentalism is the ideology that makes economic development the primary political goal of modern societies and the form of economic and political organization of capitalism in



which the state and the market are complementary institutions. While nationalism is an ideology that arises with the formation of Europe's early nation-states, developmentalism, even if without the name, is present in the history of capitalism ever since mercantilism; it is a theory, a national development strategy that first appears by this name in the 1960s in the peripheral countries that sought to catch up. This is when many poor and peripheral societies become aware of their underdevelopment and realize that it can be overcome by forming a true nation, building a true state and completing a national development project.

Developmentalism as a strategy and a form of coordination of capitalism is essentially a superior alternative to economic liberalism because it strikes a balanced combination of the state and the market. As a theory, the classical developmentalism of the 1940s and 1950s defined economic development as a process of industrialization or a structural change, and the new developmentalism of the 2000s and 2010s showed that a tendency exists in developing countries to a cyclic and chronic overappreciation of the exchange rate that, unless neutralized by a competent exchange-rate policy, will make industrialization non-viable. In addition, it distinguishes between a competitive and a non-competitive sector in capitalism, and plans the latter, while leaving the former to the devices of the market and of a strategic industrial policy. The two theories drew inspiration from Marx, from the German Historical School and Max Weber, and from Keynesian and Kaleckian Macroeconomics.

Developmental nationalism implies a basic, but always contradictory, association of the elite and its people, with which it experiences a permanent relationship of conflict and cooperation. A cooperation that stems from shared interests around the nation that includes them all, around the state that is its *par-excellence* instrument for collective action, around the domestic market that is its greatest economic asset, around the domestic currency that is the assurance of national autonomy; a conflict that reflects the legitimate struggle of workers and the middle classes in the sharing of the economic surplus that development generates.

Originally, economic nationalism and ethnic nationalism intermingle, but as the nation-state's population grows, it tends to diversify in ethnic terms, and identity nationalism becomes a dangerous ideology for being reactionary and exclusive. The nation-state is intrinsically developmental because, within the framework of globalization, it



competes with other nation-states for greater economic growth and improved living standards. In this competition, developing countries face the economic prowess, military might and ideological power of the West, which has since the 1980s become dominated by a rentier-financier class coalition that regards economic liberalism as the ideal form of capitalism, and attempts to impose this notion on every country.

Developmentalism is always nationalistic, but economically, not ethnically so. The developmentalism that lagging countries embrace to catch up has nothing to do with the xenophobic nationalism that characterizes far-right parties. It assumes a growing level of cooperation between nations, but also a crucial premise: the rationale of capitalism has always been competition, not only between firms, but also between nation-states, and to face this competition, a nation must be nationalistic – it must be able to defend national labor, knowledge and capital. In the age of global, rentier-financier, capitalism, this competition is very fierce, and rich countries embrace nationalistic practices with great abandon, while condemning other countries' nationalism.

Developmentalism always involves the formation of a developmental class coalition. There can be no developmental state in the absence of a political pact involving the main fractions of classes that have an interest in development: businessmen, workers and the public techno-bureaucracy. The alternative is the liberal, rentier-financier class coalition – a narrow one that involves the rentier capitalists, who have since the end of the Second World War been becoming more and more powerful, financiers, financiers that manage the wealth of the former, the senior managers of major corporations, the upper middle-class that is also largely rentier, and foreign interests. While a developmental class coalition only makes sense if it involves a large portion of the population, today's rentier-financier coalition only includes the wealthiest 1 or 2 percent of the population. The alternative liberal coalition would not exist in developing countries if their elites did not show a high level of dependence or colonialism, if a significant part of these elites did not suffer from a colonial inferiority complex relative to the West. But Latin-American elites are not entirely dependent. They are *national-dependent*. The experience this permanent contradiction according to which they now become nationalistic and now accept subordination to the West – particularly when fear of



Communism rises (early 1960s), or when the neoliberal hegemony is complete (1990s). When an elite is colonial or dependent, a country's probability of developing becomes very low. In Brazil, for example, the economic and political elites became reasonably autonomous between the 1930s and the 1950s, and during the 1970s, and enjoyed great growth in those periods. After losing this autonomy with the foreign debt crisis of the 1980s, and opening up the economy and above all the financial account in the early 1990s, the country's growth rates became much smaller.

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ⁱ For the countries that first industrialized, as England and France, the "first developmentalism" was Mercantilism; the second, the Golden Years of Capitalism. In both periods we had a moderate intervention of the state in the economy and a developmental class coalition (Bresser-Pereira 2017b).

ⁱⁱ The term "Fordist mode of regulation" has been defined by French Regulation School economists.

ⁱⁱⁱ More precisely, this period shows two successive class coalitions that Bresser-Pereira (2014) has called the National Popular Pact of 1930 and the Authoritarian-Modernizing Pact of 1964.

^{iv} The last three ancient empires were the Austro-Hungarian Empire, the Ottoman Empire and the Russian Empire.

^v See Tilly's three articles in Charles Tilly, ed. (1975).

^{vi} See Bresser-Pereira (1995) for an analysis of the changes that took place in the World Bank.

^{vii} Excerpt from the Brazil-United States Mixed Commission's Report (1953: 281) published in *O Observador Econômico e Financeiro*, Year XX, No. 230, April 1955. On Jun.18.2017: <http://bit.ly/2sH4Lp4>.

^{viii} Bresser-Pereira (2005).

^{ix} Writing about the construction of the developmentalism concept, Pedro Cezar Dutra Fonseca located usage of the term in the 1960s by Hélio Jaguaribe (1962) and Luiz Carlos Bresser-Pereira (1963 and 1968).

^x The ISEB (Instituto Superior de Estudos Brasileiros, or Higher Institute for Brazilian Studies) was formed by a group of intellectuals that analyzed Brazil's development in the 1950s from a comprehensive historic and political angle from a nationalist and developmental view. The group included historians, economists, sociologists, political scientists and philosophers. While the Latin-American structuralist theory emerged in Chile around the ECLAC, ISEB intellectuals in Brazil formed the developmental political school of thought.

^{xi} Chalmers Johnson (1982). See Meredith Woo-Cumings, ed. (1999) for a collection of studies on Johnson's developmental state.

^{xii} Bresser-Pereira (2017a).

^{xiii} Bresser-Pereira (2008).