

MY STEPS IN THE CONSTRUCTION OF NEW DEVELOPMENTALISM

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New Developmentalism is today an increasingly encompassing theoretical system which originated from Classical Developmentalism and Post-Keynesian Economics. In this report I will try to define the ideas that represented one step after the other the intellectual construction of New Developmentalism. And I will identify the paper or book where I first defined the respective idea. In New Developmentalism we can distinguish a political economy (the study of the economic and political institutions that define developmental capitalism and the developmental state) from the economics of New Developmentalism - theories that explain stability, growth, distribution and protection of the environment in capitalist societies. Although the economics and the political economy involved are interrelated, I distinguish them and, first, will identify the steps in the construction of New Developmentalism related to the political economy, and, second, the steps dealing with political economy.

POLITICAL ECONOMY OF NEW DEVELOPMENTALISM

2008 - Capitalist revolution and growth

Bresser-Pereira, Luiz Carlos (2020) “Revolução capitalista e desenvolvimento” Revisado e disponibilizado no site para uso de meus alunos (2019).

Bresser-Pereira, Luiz Carlos (2008) “Desenvolvimento econômico e revolução capitalista”, *Discussion paper EESP/FGV* n.170, September 2008.

Economic development is a historical process that begins for every people when they are able to build a nation and a state and form a nation-state or country. In other words, when they make their capitalist revolution. Thus, this is a crucial moment in the history of a country. In all cases, with no exception, the capitalist revolutions happened in the framework of developmentalism, not of liberalism.

2008 - Economic nationalism and developmentalism

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Bresser-Pereira, Luiz Carlos (2008) “Nacionalismo no centro e na periferia do capitalismo” [Nationalism in the center and in the periphery of capitalism]. *Revista Estudos Avançados* 22 (62): 171-194.

Bresser-Pereira, Luiz Carlos (2018) “Economic nationalism and developmentalism”, *Fiscaoeconomia*, Special issue on “State and Development in 21st Century”, 2 (1) 2018: 1-27. In Portuguese, in *Economia e Sociedade* 27 (3): 853-874.

Despite the globalist ideology, nationalism remains strong in rich countries. Naturally dominant. Differently from what happens in dependent peripheral countries, nobody doubts that their politicians in office are supposed to defend the national interest.

2008 - Globalization and the nation-state

Bresser-Pereira, Luiz Carlos (2008) “Globalization, Nation-State and Catching up”, *Brazilian Journal of Political Economy* 28 (4) 2008: 557-578.

Bresser-Pereira, Luiz Carlos (2010) *Globalization and Competition*, New York: Cambridge University Press.

The 2008 financial global crisis had not yet happened, globalization and globalism were hegemonic, the earth was said “to be flat”, and the nation-state was supposed to be something from the past. Not so.

Models of developmental state and the industrial revolution

Bresser-Pereira, Luiz Carlos (2019) “Modelos de estado desarrollista”, *Revista de La CEPAL* 128, agosto: 39-52.

Bresser-Pereira, Luiz Carlos (2015 [2019]) “Models of developmental state”, *CEPAL Review* 128, August: 39-52. Discussion paper EESP/FGV n,426, September 2016.

The industrial and capitalist revolution in all countries happened in the context of developmentalism. We can distinguish four models according if the country is peripheral or central (depending if it was submitted to the industrial nineteenth century imperialism or not), the central divided into original (UK, France) and latecomers (US, Germany), the peripheral into independent (East Asia) and dependent (Brazil). And, after the war, the Second Developmentalism, now democratic and socially progressive.

2015 - The crisis of neoliberal capitalism

Bresser-Pereira, Luiz Carlos (2015) “After the demise of neoliberalism, but not of conservatism, a third developmentalism?” EESP/FGV Discussion Paper 394, June 2015.

Bresser-Pereira, Luiz Carlos (2017) “Depois do capitalismo financeiro-rentista, mudança estrutural à vista?”, *Novos Estudos Cebrap* 107. V.36 (1). March: 136-151. Versão em inglês, “The political crisis of globalization”, available in the author’s website.

In these two papers I discuss the economic and political crisis of neoliberalism. In the first paper, I am predicting the rise of a conservative developmentalism, which is now been called nationalist conservative populism.

2017 - Two forms of organizing capitalism: developmentalism and economic liberalism

Bresser-Pereira, Luiz Carlos (2017) "The two forms of capitalism: developmentalism and economic liberalism", *Brazilian Journal of Political Economy* 37 (4), October 2017: 680-703.

The state and the market are the two institutions coordinating capitalist societies; economic nationalism and liberalism are the two corresponding ideologies. Considering this binary reasoning, we can say that there are two forms of economic organization of capitalism: one is economic liberalism, assigning to the market the greatest possible role in coordinating the economy, the other calls for a moderate intervention of the state in the economy. How to name this second form? "Statism" is not a good word, because it reserves no role for the market. Neither "state-led capitalism", which reserves a minor role for the market. Actually, there is no established word with the meaning of moderate state intervention with a nationalist perspective. In this paper we practice semantic expansion and define developmentalism as the alternative to economic liberalism.

2018 - Rentier-financier capitalism

Bresser-Pereira, Luiz Carlos (2018) "Capitalismo financeiro-rentista". *Estudos Avançados* 32(92), 17-29.

Bresser-Pereira, Luiz Carlos (2018) "Rentier-financier capitalism": *Discussion Paper* EEESP/FGV, 477, January 2018.

Nineteenth century liberal capitalism was an entrepreneurs' capitalism; in the beginning of the following century, as an outcome of the Second Industrial Revolution and the Organizational Revolution, it became a managers' capitalism, as managers replaced entrepreneurs in private corporations. After the Second World War it turned into a rentiers' capitalism, where rentiers (mostly heirs) replaced entrepreneurs in the ownership of the corporations. or, better, into a rentier-financier capitalism, as financiers were called to manage the wealth of the rentiers and serve as their organic intellectuals defending neoliberalism - a radical form of economic liberalism which does not allow for the classical (and healthy) combination or dialectics between economic liberalism and economic nationalism.

ECONOMICS OF NEW DEVELOPMENTALISM

2001 - The first idea: Critique of the "growth with foreign savings", which appreciates the exchange rate and, so, does not cause but hinders growth.

Bresser-Pereira, Luiz Carlos (2001) “A fragilidade que nasce da dependência da poupança externa”, *Valor 1000*, setembro: 34-38. This is just a small article, a column.

Bresser-Pereira, Luiz Carlos (2002) “Brazil’s quasi-stagnation and the growth *cum* foreign savings strategy” (2002) *International Journal of Political Economy* (Ottawa University) 32(4): 76-102.

Bresser-Pereira, Luiz Carlos; Yoshiaki Nakano (2003) "Economic Growth with Foreign Savings?" *Brazilian Journal of Political Economy* vol.22 n.2: 3-27. In English, only in the website edition.

This is the more counterintuitive claim of New Developmentalism. I came to this idea in 2001, when I was participating from the Forum Nacional organized by João Paulo dos Reis Veloso in Rio de Janeiro, and Eustáquio Reis was speaking on the exchange rate. I remembered that president Fernando Henrique Cardoso had adopted as his main strategy the growth with foreign savings or foreign indebtedness policy on the assumption that the ensuing capital inflows would add to the domestic savings and increase the investment rate, but the assumption proved wrong. In 2002 I wrote and published in the *International Journal of Political Economy* a first paper on the subject, “Brazil’s quasi-stagnation and the growth *cum* foreign savings strategy” while I wrote a more theoretical paper with Nakano.

2002 - Critique of the high interest rate in Brazil.

Bresser-Pereira, Luiz Carlos; Yoshiaki Nakano (2002a) “Uma estratégia de desenvolvimento com estabilidade.” [A strategy of development with stability] *Revista de Economia Política* 21(3): 146–177.

This was my theoretical break up with my associates in the development of the theory of inertial inflation, who, after the Real Plan (1994), were back to the liberal orthodoxy. This paper caused a national debate.

2003 - First use of the expression “New Developmentalism”

Last chapter of Bresser-Pereira, Luiz Carlos (2003) *Desenvolvimento e Crise no Brasil* [Development and Crisis in Brazil], 5th edition, São Paulo: Editora 34.

I realized that I was beginning to build a new theory, asked for a name, and Nakano suggested New Developmentalism. Well-aware that liberals had given a negative connotation to the word, I accepted immediately the idea.

2006 - Empirical proof that the exchange rate is determinant of growth

Gala, Paulo (2006 [2008]) “Real exchange rate levels and economic development: theoretical analysis and econometric evidence”, *Cambridge Journal of Economics* 2008 n.32: 273–288. From the PhD dissertation, *Política Cambial e Macroeconomia do Desenvolvimento* [Exchange Rate Policy and Development Macroeconomics], Getúlio Vargas Foundation, São Paulo School of Economics, May 2006.

This is the only paper in this account that I have no written. I include it because it is the basic and core hypothesis of New Developmentalism since I began to

work on it in 2001. Paulo Gala was my PhD student, I proposed the theme of his dissertation, and accompanied closely his research and writing.

2006 - New Developmentalism and the liberal orthodoxy compared

Bresser-Pereira, Luiz Carlos (2006) “New developmentalism and conventional orthodoxy”, *Economie Appliquée* 59(3): 61-94.

Bresser-Pereira, Luiz Carlos (2006) “Novo desenvolvimentismo e ortodoxia convencional”, *São Paulo em Perspectiva – Revista da Fundação Seade* 20(3): 5-24.

This was a successful paper that called attention of many people. It combines the development macroeconomics with the political economy of New Developmentalism. It begins with a narrative where we have the Neoliberal Turn, in 1980, and the definition of “conventional orthodoxy”, which I call today “liberal orthodoxy”, the crisis Classical Developmentalism, that I improperly call in this paper “old developmentalism”, and, from the early 2000s, the rise of New Developmentalism. After that, I defined the main policies proposed by these three currents of thoughts, showing that there is a sensible alternative to the liberal orthodoxy.

2007 – Publication of *Macroeconomia da Estagnação (Developing Brazil)* – a macroeconomics historically applied to Brazil where the “interest-exchange rate trap” is defined

Bresser-Pereira, Luiz Carlos (2007) *Macroeconomia da Estagnação*, São Paulo: Editora 34.

Bresser-Pereira, Luiz Carlos (2007 [2009]) *Developing Brazil: Overcoming the Failure of the Washington Consensus*, Boulder: Lynne Rienner Publishers, 2009. Original Portuguese edition, with the title *Macroeconomia da Estagnação*, 2007.

Given my conviction that economics and particularly macroeconomics only make sense if it is a historically situated (as were *The Wealth of Nations*, *The Capital*, and *The General Theory*), I wrote this book where I simultaneously elaborated the development macroeconomics (which at that time was budding) and discussed the Brazilian economy. The Dutch disease model is here partially developed, and for the first time I defined as the main major macroeconomic evil, the “interest-exchange rate trap” - the adoption of high level interest rate to attract capitals and the consequent long-term overvaluation of the national currency, which makes uncompetitive the country’s capable companies.

2007 - Substitution of foreign savings for domestic savings.

Bresser-Pereira, Luiz Carlos e Paulo Gala (2007) “Por que a poupança externa não promove o crescimento”, *Revista de Economia Política* 27 (1): janeiro: 3-19.

Bresser-Pereira, Luiz Carlos and Paulo Gala (2008) “Foreign Savings, Insufficiency of Demand, and Low Growth”, *Journal of Post Keynesian Economics*, vol.30 n.3, Spring 2008: 315-334.

This article deepens my critique of the growth with foreign indebtedness policy argument which I began in my 2003 paper with Nakano. We show when the country incurs in current account deficit (the so called “foreign savings”) the national currency gets appreciated in the long-term, the capable companies turn uncompetitive and don’t invest while consumption is encouraged. Thus, we have a substitution of foreign for domestic savings. This is just not true in exceptional periods of high growth or “miracles” when the expected profit rates become high and the propensity to invest increases while the marginal propensity to consume falls. I counted with the collaboration of Paulo Gala to write this paper and make the econometric test that confirmed the theoretical argument.

2008 - Dutch disease and the legitimation of import tariffs

Bresser-Pereira, Luiz Carlos (2008) “The Dutch disease and its neutralization: a Ricardian approach” (2008) *Brazilian Journal of Political Economy* 28 (1): 47-71.
Bresser-Pereira, Luiz Carlos (2018) “Neutralizing the Dutch disease”, *Discussion Paper* EEESP/FGV, 476, janeiro de 2018. To be published in the *Journal of Post Keynesian Economics* in 2020.

This was another paper that had a lot of repercussion. Before that, there was the 1982 paper by W. Max Corden and J. Peter Neary, “Booming sector and de-industrialization in a small open economy”. This was a neoclassical paper which emphasized the division of the economy in three sectors. My 2008 paper emphasized the existence of two equilibriums: the current and the industrial equilibrium. From it we could immediately derive the policy to neutralize the disease: a variable tax on the exports of the commodity so as to make the industrial and the current equilibrium equal. I list also the 2018 paper because in this paper I show that it is also possible and perhaps politically more feasible to neutralize the Dutch disease with import taxes and export subsidies on manufactured goods, the former neutralizing the disease in relation to the domestic market; the later, in relation to the foreign markets. Many countries adopted, intuitively, import taxes to neutralize the Dutch disease. What most economists call protectionism, was just assuring to the local companies equal conditions of competition with the companies located abroad.

2008 - Financial crises

Bresser-Pereira, Luiz Carlos, Lauro Gonzalez e Cláudio Lucinda (2008) “Crises financeiras nos anos 1990 e poupança externa” [Financial crises in the 1990s and foreign savings], *Nova Economia* 18 (3) setembro: 327-357.

Bresser-Pereira, Luiz Carlos, Lauro Gonzalez and Claudio Lucinda (2008 [2010]) “Financial crisis in the 1990s and foreign savings”. Chapter 7 of Bresser-Pereira (2010) *Globalization and Competition*. Cambridge University Press. Original Portuguese publication, 2008.

Lauro Gonzalez was my PhD student. This paper rejects the conventional contention that currency crises are essentially consequence of irresponsible public deficit or fiscal profligacy (fiscal populism). Instead, it asserted that they are basically consequence of the adoption of the growth with foreign

indebtedness or “foreign savings” policy (exchange rate populism). Given the twin deficits, they are often consequence of both deficits, but often, when the national currency is overvalued, the fiscal account is under control while the current account shows a deficit, which may be high.

2009 - Tendency to the cyclical and chronic overvaluation of the exchange rate

Bresser-Pereira, Luiz Carlos (2009) “A tendência à sobreapreciação da taxa de câmbio”. *Econômica* 11 (1), June: 7-30.

Bresser-Pereira, Luiz Carlos (2009) *Mondialisation et Compétition*, Paris : La Découverte.

Bresser-Pereira, Luiz Carlos (2009) *Globalização e Competição*, Rio de Janeiro: Elsevier.

Bresser-Pereira, Luiz Carlos (2010) *Globalization and Competition*, New York: Cambridge University Press.

This tendency, directly associated with that of financial crises, is central to New Developmentalism. The currency cycle begins and ends with a financial crisis, when the exchange rate sharply depreciates. After the crisis, the exchange rate gradually depreciates, crosses the industrial equilibrium, crosses the current equilibrium, and enters the area of current account deficits where it remains for a few years (characterizing a financial bubble), until the country's foreign debt begins to worry creditors and they, suddenly, suspend debt rollover, and a new financial crisis breaks up putting an end in the cycle. This cycle was first published in *Globalization and Competition*, the first book to present a relatively complete account of New Developmentalism.

2010 - New macroeconomics. The distinction between fiscal and exchange rate populism

Bresser-Pereira, Luiz Carlos; Paulo Gala (2010) “Macroeconomia estruturalista do desenvolvimento” [Structuralist development macroeconomics], *Revista de Economia Política*, 30(4) outubro: 663-686.

In 2009, when I had realized that what I was building was a new macroeconomics, I called Paulo Gala to sign this paper with me. In this paper we made the distinction between fiscal and exchange rate populism, which is central to the political economy of New Developmentalism.

2010 - Ten theses on New Developmentalism

Heterodox economists (2010[2012]) “Ten theses on New Developmentalism”, *Brazilian Journal of Political Economy*, 32(2): 336-339, 2012.

The writing of this founding document counted with the participation of Amit Bhaduri, C. P. Chandrasekhar, Fernando Cardim de Carvalho, Fernando Ferrari Filho, Jan Kregel, Jayati Ghosh, José Antonio Ocampo, José Luis Oreiro, Luiz Fernando de Paula, Leonardo Burlamaqui, Nelson Marconi, Paulo Gala, Pierre Salama, Ricardo Carneiro, Robert Boyer, and Roberto Frenkel.

2011 - The exchange rate as a light switch that connects or disconnects the capable companies from their demand

Bresser-Pereira, Luiz Carlos (2011) “Uma escola de pensamento keynesiano-estruturalista no Brasil?” [A Keynesian-structuralist school of thought in Brazil?” *Brazilian Journal of Political Economy*, 31(2) April: 305-314.

Bresser-Pereira, Luiz Carlos (2015) “The access to demand”, *Keynesian Brazilian Review* 1(1) 1st semester 2015: 35-43.

For years I searched a metaphor to explain the role of the exchange rate in economic development. Finally, I believe that in writing “A Keynesian-structuralist school of thought in Brazil?”, I came to the idea of the light switch that connects or disconnects the good companies from their market. Later, on writing a paper to the Festschrift of Jan Kregel, “The access to demand”) I advanced this idea. If the companies of a country are technically competitive but face an exchange rate overvalued in the long-term, for long periods between financial crises, they will not have access to demand and will not invest.

2011 – New Developmentalism’s microeconomics

I am not sure on when I wrote for the first time on the microeconomics of New Developmentalism (how the market and the state coordinate the economy in a development country), but I remember that I had the idea in a 2010 trip to China. The basic contribution of Classical Developmentalism occurred in the field of micro: it was the identification of economic development with industrialization or structural change. In order to industrialize, countries adopted high customs tariffs. From the late 1990s a second generation of classical developmentalists focused in “industrial policy”, which soon turned the dominant idea (the first generation spoke of planning, not industrial policy). In 2011, New Developmentalism already had a development macroeconomics but nothing that would serve as a basis for a microeconomics. Before my 2010 visit to China, my explanation of its incredible growth as well as of the other East Asian countries was, first, that they didn’t the Dutch disease problem, second, they adopted industrial policy, and, third, that they adopted a macroeconomic policy that rejected current account deficits and kept the exchange rate competitive. But this was not enough to explain such high growth. When I was arriving in Shanghai, I found the microeconomic explanation for China’s success. The Chinese divided their economy into two sectors, the competitive and the non-competitive, and established a very simple rule: for the competitive sector, they allowed the market to resolve, because the market is much better than the state in coordinating competitive economic sectors; for the non-competitive sector, where the market is ineffective by definition, and in setting the exchange rate and the profit rate right, something that the market is incapable to do satisfyingly, they maintained economic planning by the state. The state does not need to own the companies, but it must be able to plan its actions, its investments. The non-competitive sector is made up of infrastructure companies, companies that produce basic inputs, and the

big banks that are “too big to fail” - if a company cannot go bankrupt, it is not competitive.

2012 - The theory explaining why the exchange rate determines growth

Bresser-Pereira, Luiz Carlos (2012) “The exchange rate at the center of development economics” *Estudos Avançados*, 26(75): 7-28.

Bresser-Pereira, Luiz Carlos (2012) “A taxa de câmbio no centro da teoria do desenvolvimento” *Estudos Avançados*, 26(75): 7-28.

In 2012, I finally came to explanation why the exchange rate has a major role in the process of economic development. Since I began this research program, I assumed that the exchange rate is determinant of growth. Later on, several studies showed that, but there was not a theory explaining it, mainly because the exchange rate misalignments were always thought as short-term problem. It was then that I wrote “The exchange rate at the center of development theory” (2012). Since New Developmentalism showed that the exchange rate in middle-income countries follow a cyclical pattern and tend to remain overvalued for several years, and given the light switch metaphor, it is not difficult to conclude that, in these circumstances, when companies considered it an investment, their calculations are based on an overvalued currency, and their most likely decision would be to not invest. It's a simple but fundamental theory – simple and endowed of predictive power as really good economic theories are supposed to be.

2013 - Five macroeconomic prices; the value of the foreign money

Bresser-Pereira, Luiz Carlos (2013) “The value of the exchange rate and the Dutch disease”, *Brazilian Journal of Political Economy* 33 (3): 371-387.

Bresser-Pereira, Luiz Carlos; José Luis Oreiro; Nelson Marconi (2014) *Developmental Macroeconomics*, London: Routledge.

I believe that was the first time I used the idea of the five macroeconomic prices - that they are market prices that the market is entirely unable to set right – was in writing “The value of the exchange rate and the Dutch disease”; an alternative, is the book that I wrote with José Luis Oreiro and Nelson Marconi, *Developmental Macroeconomics*. I don't know when I came to this idea that there are five basic macroeconomic prices. I don't remember having heard it before from someone, but for long I thought that they exist and a very interesting way of studying macroeconomics should start from them. On the other hand, it was clear to me that to make growth depend essentially on industrial policy was unacceptable and would not explain the success of the East Asian countries: they had always adopted industrial policy while keeping the five macroeconomic prices right.

As to the value of the foreign money or the exchange rate, in 2012 I met Jan Prieue in Berlin. He is a competent post-Keynesian economist specialized in development macroeconomics, and he showed a strong interest for New

Developmentalism. Yet, when I said that the way of neutralizing the Dutch disease was a variable export tax, he didn't agree. His main argument was that the exchange rate was determined by the demand and supply of foreign money, and an export tax would have no effect in the demand or in the supply. I then realized that the concepts of current and industrial equilibrium were not based on the demand and supply, but on the value that covers the costs plus reasonable rate of profit of the companies. Thus, I had come to the concept of the value of the foreign currency. The exchange rate or price of the currency floats around this value, as the prices of goods and services float around their respective value in labor terms, or, more simply, in production cost terms. The variations on the value depend on the variations on the comparative index of the unit labor cost.

2013-14 - New developmentalism and industrial policy

Bresser-Pereira, Luiz Carlos and Fernando Rugitsky (2018) "Industrial policy and exchange rate scepticism?". *Cambridge Journal of Economics*, 42(3), April 2018: 617-632.

Nassif, André, Carmem Feijó and Luiz Carlos Bresser-Pereira (2018) "The case for reindustrialization in developing countries: toward the connection between the macroeconomic regime and industrial policy in Brazil", *Cambridge Journal of Economics*, 42(2) February 2018: 355–381.

I have been always supportive of industrial policy, but in the process of building a new development macroeconomics, in the early 2010s, I realized that the deep belief of developmental economists in industrial policy had become a major obstacle for the acceptance of New Developmentalism. Facing a crisis from the 1970s, Classical Developmentalism experienced a renewal with rise of a second generation of classical developmentalists. Chalmers Johnson, Alice Amsden, and Robert Wade on East Asian countries (the only countries that achieved the catch up in the twentieth century), with the publication of their 1982, 1989 and 1990 books have shown that industrial policy had been a key policy in their growth. The historical contributions of Eric Reinert and Ha-Joon Chang confirmed such renewal. Industrial policy is certainly an important instrument, but it would not caused the growth of the East Asian countries if they had not adopted a firm macroeconomic policy that kept the five macroeconomic prices right and the two main accounts, the fiscal and external accounts balanced – the fiscal policy being, certainly, countercyclical.

2015 - The best application of New Developmentalism to the 2008 financial crisis of neoliberal capitalism, the 2010 Euro crisis, and the quasi-stagnation of Brazil since the 1980s.

Bresser-Pereira, Luiz Carlos (2010) "The global financial crisis, neoclassical economics, and the neoliberal years of capitalism", *Revue de la Régulation*, 7, 1st semester 2010: 1-29.

Bresser-Pereira, Luiz Carlos e Pedro Rossi (2015) "Sovereignty, the exchange rate, collective deceit, and the euro crisis", *Journal of Post Keynesian Economics* 38 winter/spring 38 (3): 355-375.

Bresser-Pereira, Luiz Carlos (2018) "Brazil's macroeconomic policy institutions, quasi-stagnation, and the interest rate–exchange rate trap" (2018) in Edmund

Amann, Carlos Azzoni and Werner Baer, orgs. *The Oxford Handbook on the Brazilian Economy*, Nova York: Oxford University Press: 221-240.

In 2010, I wrote a key paper on the crisis of neoliberal capitalism, where I already used some new-developmental concepts, but the first full application of the new-developmental macroeconomics to rich countries was done in the paper with Pedro Rossi on the Euro crisis. This crisis was essentially an exchange rate crisis and its solution, “internal adjustment”, a key component of orthodox austerity.

2016 - Determination of the exchange rate

Bresser-Pereira, Luiz Carlos, José Luis Oreiro e Nelson Marconi (2016) *Macroeconomia Desenvolvimentista*, Rio de Janeiro: Elsevier.

Bresser-Pereira, Luiz Carlos, Carmem Feijó, Eliane Cristina Araújo (2021) “The Determination of the exchange rate”, *Texto para Discussão Centro do Novo Desenvolvimentismo*.

The determination of the exchange rate depends, first, on the variations on the value of the foreign money, which vary according comparative index of the unit labor cost; second, on the exports and imports, that depend mostly on the terms of trade; and third, of capital flows, which vary according to the variations of the interest rate. In middle-income countries, the interest rate tends to be high due to two habitual policies involving the attraction of foreign capitals: the growth with foreign indebtedness or “foreign savings” policy and the use of the exchange rate as a monetary anchor against inflation. The level around which the central bank defines its monetary policy tends also to be high due to the political influence of rentier capitalists and financiers.

This analysis is already present in the English (2014) version of this book, but in the 2016 Portuguese version they are more deeply and systematically developed. Since the Portuguese version of this book was published two years after the English version, it presents the models more completely.

2016 - Clear distinction between developmentalism as a theory (classical and new) and as a historical reality.

Bresser-Pereira, Luiz Carlos (2016) “Reflecting on New Developmentalism and Classical Developmentalism”, *Review of Keynesian Economics* vol 4 n.3: 331-352.

New Developmentalism is a theory; developmentalism is a form of organizing capitalism or a style of policymaking. New Developmentalism adopts the historical method having as its main object of study the phases and countries where capitalism and the state were not liberal but developmental.

2019 - Comparison between New Developmentalism, Classical Developmentalism and Post-Keynesian Economics

Bresser-Pereira, Luiz Carlos (2019) “From Classical Developmentalism and Post-Keynesian Macroeconomics to New Developmentalism”, *Brazilian Journal of Political Economy* 39(2) April: 187-210.

I wrote this paper as a kind of introduction to New Developmentalism. Its greatest merit is to clearly locate the new school in the history of economic

thought. It is also the best comparison available between New Developmentalism, Classical Developmentalism, and Post Keynesian Theory.

2019 - The liberalization trap

Bresser-Pereira, Luiz Carlos (2019) “Why did trade liberalization work for East Asia but fail in Latin America?”, *Challenge* vol.62 n.4: 273-277.

Bresser-Pereira, Luiz Carlos, Eliane Cristina Araújo e Samuel Costa Peres (2020) “An alternative view to the middle-income trap” *Structural Change and Economic Dynamics*, 52 (2020): 294-312.

In these two papers we explained why Latin America stopped in the 1980s while East Asia continued to grow using new-developmental theoretical tools. We criticized the concept of “middle-income trap” and showed theoretically and empirically that makes more sense to speak of the “liberalization trap”.

2020 - The best summary of New Developmentalism to date

Bresser-Pereira, Luiz Carlos (2020) “New Developmentalism: development macroeconomics for middle-income countries”, *Cambridge Journal of Economics*, approved for publication in November 2019.

It is the best summary I could make to this day of New Developmentalism. I owe a lot to both reviewers of that journal.

Note: If someone studying New Developmentalism findings a mistake in the association of the steps with the documents, please, inform the author. E-mail: bresserpereira@gmail.com.