

"Cardoso, Dependency Theory and Brazil"

Gaylord George Candler
Indiana University

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Introduction

The election of Fernando Henrique Cardoso, a social scientist highly respected internationally, as president of Brazil represented an interesting experiment for a modern society.

While societies typically trust specialized tasks to people trained for those purposes (auto mechanics fix cars; architects design buildings; hairdressers cut hair, etc.); they rarely entrust the government of society to those trained to study and analyze it.

Cardoso's election was interesting for a second reason as well. His reputation had been made within the dependency theory paradigm of political economy, a paradigm with strong roots in Marxist modes of analysis. As a politician, however, Cardoso's policies have been widely perceived as strongly conservative. Many, on both the left and right, have attributed this to a change of heart on the part of Cardoso, with him 'seeing the error of his ways' (from the right); or 'selling out' (from the left). This paper will analyze Cardoso's apparent shift from *dependentista*¹ to champion of the Brazilian business class, in the interest of throwing broader light on the role of socialism in contemporary society. I will argue that Cardoso has maintained great consistency in his thought since his early days as a scholar. Three points are critical in understanding Cardoso's approach to social science: he was never a Marxist ideologue; rather, Cardoso has always been a pragmatist keen on furthering the broad goals of Marxist analysis; and

he has always worked from a strong empirical foundation. As a result, Cardoso's pragmatic accommodation of the ends of socialism with the realities of late twentieth century international political economy offers an alternative to a broad ideological movement suffering the dual blows of the collapse of communism and the retrenchment of the welfare state.

This paper will proceed in the following steps. A brief description of Brazil's economic history to 1960 will be followed by an introduction to dependency theory. Cardoso's role in the dependency movement is then discussed. The perceived contradictions between Cardoso's recent political activities and his earlier scholarly positions are then presented. As a start to reconciling these contradictions, this paper will discuss Cardoso's attitude to Marxism, as evident in his earlier scholarly work and contemporary political statements. The paper closes after placing Cardoso's current political stance in this broader context.

Brazil to 1960

As a Portuguese colony, Brazil inherited Iberia's slow response to the industrial and philosophical revolutions which swept Europe from the eighteenth century. While scientific innovation was growing north of the Pyrenees, Spain and Portugal were experiencing the suffocating embrace of the Inquisition. While free markets and the 'invisible hand' of capitalism were being touted as an explanation for 'the nature and causes of the wealth of nations' elsewhere, economic debate in Portugal continued along a physiocracy v. mercantilism axis. Physiocrats, with their emphasis on the central importance of agriculture in determining a nation's wealth; and mercantilists, with their emphasis on the central importance of industrializing behind tariff walls in order to maintain a positive trade balance; therefore

dominated early economic debates in Brazil. The agro-exporting interests tended to physiocracy, while that section of the growing urban elite involved in trade or in the colony's small industrial sector advocated policies much like those of mercantilists (Bello 1966, 165-8; Cardoso 1990; Schwartzman 1991, 32-43).

Physiocracy dominated much of Brazil's early history, as Brazil served a function common in many colonial empires as an exporter of primary products. As a result, colonial policy favored the interests of agro-exporters. Manufacturing was discouraged, and attempts made to restrict Brazilians to purchases of Portuguese made products. Manufacturing was further inhibited by the centralization of higher education in Portugal, slowing the development of technological competence in Brazil (Schneider 1991, 32). With independence under the Empire the rural agro-exporting elite exercised great influence. However, ending the colonial ties with Portugal meant that restrictions on manufacturing were ended, so an industrial sector began to grow. With this, the influence of mercantilism grew, and increased further with the declaration of the Republic in 1889. As a result, a small industrial base existed at the turn of the twentieth century (see Bello 1966, 198-204; Burns 1980).

Mercantilism gained ground throughout the imperial period, and the dominance of physiocracy clearly ended with the declaration of the Republic. An open, liberal trading regime developed after independence from Portugal (Baer 1989, 24-31). The first evidence of liberal economic influences in Brazilian public policy also came during this period, with Campos Sales' opposition to expansionist monetary policy, and Joaquim Murinho's rigid 'economic Darwinism', and its advocacy of sound public finance, its emphasis on reducing the size of the government and its role in the economy, and its reliance on private enterprise to drive economic growth. The

state-led development push of Rodrigues Alves shortly after, though, diluted this early apogee of liberal influence (Bello 1966, 162-8, 173-7). As a result, it would be difficult to identify a new dominant ideology until Vargas's *Estado Nova* in the 1930s (see Schneider 1991, 70-73). Vargas espoused a sort of neo-mercantilist economic nationalism. As a result, government actively interceded to assist Brazil's industrialization, through favorable exchange rates, tariff walls, and through government provision of much infrastructure and even direct involvement in key sectors. The public sector became especially prominent in steel, oil, and electricity (Schneider 1991, 143-7).

The breakdown of world trade during the depression of the 1930s paradoxically helped Brazil's domestic industrial sector, as local manufacturers grew through supplying the local market. The 1939-1945 world war provided another boost to Brazil's economy, as global demand for the country's products expanded greatly (Bello 1966, 302; Burns 1980, 420-9). By the 1960s Brazil had one of the largest and most industrialized economies in the developing world, though numerous problems persisted. Industrialization was limited to the south and south-east of the country, leaving other regions, especially the north-east, largely unaffected. As a result, *Afro-Brasileiros*, especially heavily concentrated in the north-east, fared less well than their compatriots of European origin. Brazil's income inequality was the highest among those countries compiling such data (Cardoso and Faletto 1979, 139-40; Burns 1980, 430-3). Further, government development spending had increasingly been funded by printing money. With the result that hyper-inflation became a recurring problem. The effects of this, again, were felt unevenly. Those in the formal sector of the economy often had inflation-indexed wages, while informal workers did not (Burns 1980, 462; Hugh-Jones 1995).

Early dependency theory

Dependency theory rose from a number of sources. The empirical stimulus for the movement was the unsatisfactory development record of the post-World War II period. In Africa and much of Asia newly independent states were failing to meet expectations for material growth, and their political systems had often slipped into a form of oligarchic authoritarianism which stymied any attempts at redistributing wealth, or at channeling development in such a way as to benefit the poor (see, for instance, Gilpin 1987, 273; Almond 1987, 4501).

This frustration was especially manifest in Latin America. The region differed from the rest of the non-industrialized world in that it had both a longer post-independence history over which to assess its progress, and a better developed intelligentsia to do the assessing. In part of the region, wealthy, oligarchic elites continued to rule over an impoverished mass since independence from Spain over a century and a half earlier. In other states, especially in the southern cone, prosperous democracies had fallen to military or authoritarian rule, often by groups with roots going back to the pre-independence landed class. Throughout the region economies were failing to grow at rates adequate to satisfy the aspirations of the people.

Observers searched for explanations for this. A consensus soon grew among Latin American Marxists that the cause of the region's ills was to be found elsewhere -- in North America and Europe. The development of this theoretical framework by Marxists might appear somewhat surprising, as much Marxist scholarship has tended to ignore non-industrial societies. The 'third world' has often either been omitted from contemporary Marxist work, without adequate justification, or treated as a 'special case'.² This tendency for many contemporary

practitioners of the class approach to marginalize non-industrial societies may originate in Marx's own work. Marx did not systematically address either colonialism or imperialism, and his writings on non-European societies were superficial at best (Brewer 1980, 27, 51). At the turn of the twentieth century, however, a number of Marxist writers began to address non-industrial societies. A distinctive feature of this work was its international perspective (p. 61-127). Lenin, for instance, argued that as early capitalism expanded in Europe and North America markets became saturated and profits began to decline. Capitalists then turned to “the backward countries” (Lenin 1939, 62-3), setting off a wave of imperialism as the European powers sought to secure markets and to capture sources of raw materials (p. 76-82). Lenin viewed this capitalist penetration into ‘the backward countries’ as a progressive phenomenon, as imperialism would act to destroy the pre-capitalist modes of production prevalent in these areas, thus preparing the way and quickening the onset of an eventual proletarian revolution (p. 65).

Dependency theory developed partly in reaction to this benign leftist view of imperialism in non-industrial societies (Brewer 1980, 158); and partly in reaction to structuralist modernization theory, a benign conservative perspective which drew on European development experience to analyze change in non-industrialized countries (Cardoso 1970, 123; Gilpin 1987, 283; see also Randall and Theobald 1985, 15-21, 134-5). Both views presented problems for many Marxists for, even if Lenin’s analysis was correct, then ‘progressive’ forces should promote capitalism in non-industrialized countries. In this way their progress through Marx’s prescribed, ‘immutable’ progression of dichotomous class struggles would be speeded. Promoting capitalism, though, was a prospect which many Marxists found distasteful. Dependency theory, then, was at least in part a theoretical justification for ignoring Lenin’s

implied support for capitalist development in non-industrial societies.

Though he is not typically considered a *dependentista*, Immanuel Wallerstein's 'world systems theory' provided a formulation common among many practitioners of dependency theory (Gilpin 1987, 282; Brewer 1980, 159-60; Randall and Theobald 1985, 123). For Wallerstein, there is one world capitalist system. This system has steadily expanded, so that its reach now extends to every corner of the globe, bringing essentially everyone into contact with international markets. As all societies are part of this world system, all are also capitalist. 'Feudal' and other pre-capitalist systems of class relations therefore become irrelevant. Economic relations within this world capitalist system are characterized by the transfer of resources from the non-industrial 'periphery' (and 'semi-periphery', though Brazil fits more readily into this latter category, for simplicity I will refer to both as periphery in this paper) to the industrialized 'core'. Class relations within the societies of the periphery can be understood in terms of conflict between the majority of the population, a sort of international proletariat, and the dominant local bourgeoisie, which acts as the core's agent in the periphery (Wallerstein 1974; Gilpin 1987, 67-72).

Mainstream 'dependency theory' was a logical extension of Wallerstein's world system. Andre Gunder Frank, the most prominent of the early dependency theorists, echoed Wallerstein in asserting that Latin America, the focus of his analysis, was conquered by the European powers in the sixteenth century as part of the capitalist expansion of Europe, and was therefore capitalist from that time. A colonial bourgeoisie soon developed which acted to channel economic surplus from the periphery to the core. Dependency, then, might be modeled hierarchically with the industrialized 'core' at the top. At the bottom lies the exploited, underdeveloped periphery. Between the two, and facilitating the transfer of wealth from the periphery to the core, lay the

‘colonial bourgeoisie’, or ‘*comprador*’ class. As a result, contemporary Latin America's economic geography is one of underdevelopment, with national and provincial capitals acting as ‘tentacles’ to ‘suck’ capital and economic surplus to the world metropolis. The stream of dependency theory represented by Frank differed from earlier work by Prebisch et al in that Frank argued that the import substituting industrialization (ISI) advocated by Prebisch was impractical, as the structure of this relationship not only ‘underdeveloped’ Latin America, but was such that Latin American countries could not achieve economic development within the capitalist world system (Frank 1972a, 5-6; 1972b, 21-3; Gilpin 1987, 273-4). The policy implications of this view are fairly clear: as underdevelopment is based on systems of relationships between the periphery and the core, development may best be achieved by severing these relationships. Import-substitution based on large, state-owned firms becomes the optimal policy for the peripheral state to ‘maneuver’ itself for sustained growth (Evans 1979, 277-8, 285, 315). As well, revolution may be required to replace the ‘*comprador*’ by a truly nationalist elite dedicated to pursuing a development policy based on autonomous development (Gilpin 1987, 283-7).³ Of special relevance to this paper, note how the economic debate in Brazil revolved around two competing visions of state-led 'developmentism'. On the 'right', the economic nationalist tradition of the *Estado Novo* was reinforced by the economic populism of the Kubitschek years. This called for state-led development behind tariff walls, with the economy open to foreign investment. On the other side lay the leftist alternative, which called for state-led development behind tariff walls, with the economy closed to foreign investment. Liberalism was of minor importance (Delgado 1996, 85-91).

Cardoso and dependency theory

Like more orthodox *dependentistas*, Cardoso's early work was motivated in part by the failures of Latin America's development record, and he credits Marxist analyses of international capitalism, especially in its monopolistic phase, with informing his research. Cardoso's seminal contribution to political economy was his collaborative *Dependencia y Desarrollo in America Latina* with Enzo Faletto. In *Dependency & Development* (1979), Cardoso and Faletto work within the broad parameters of dependency theory through their focus on the way in which links between periphery bourgeoisie and the mature economies act to stymie development, through facilitating access of foreign capital to periphery markets, while the periphery is faced with closed markets in the mature economies. Technology transfers which take place within this unequal relationship tend to be in the interests of the core rather than the periphery, as technology inappropriate to periphery conditions is imported, producing profits for the core and debts in the periphery (1979, 172-5).

In *Dependency and Development*, however, Cardoso and Faletto sought to make two key points which contradicted existing dependency theory. The first concerns the importance of the specific way in which the economy of a country was linked to the global economy. The second was to stress the importance of internal politics, especially the way in which the state, the different classes, and the economy articulate (1979, 173). These factors were of critical importance, because development and social progress were possible in countries in which domestic ownership of industry was substantial; and in which domestic, outward oriented groups had managed to form coalitions with other, like-minded groups and so promote policies favoring autonomous development. As a result, some 'associated-dependant' development⁴ was possible,

despite the claims of mainstream *dependentistas* (Cardoso and Faletto 1979, 176; Cardoso 1975, 43).

This points to an often overlooked aspect of Cardoso's early work which provides a bridge to his present stance as a politician. Conventional *dependentistas*, with their focus on the externally-induced causes of underdevelopment, naturally focus on ending this external dependence as a policy prescription (Gilpin 1987, 286). Cardoso, however, has lain as much of the blame on the internal socio-political structure of the countries in question. At independence, all of the new Latin American countries were dominated by rural, agricultural export-based elites with an interest in maintaining existing economic relations with Europe and America. Subsequent developments varied from place to place, though. Countries which produced goods sold in international markets in which a monopsony existed enjoyed less autonomy than those producing for competitive markets. Countries whose system of production were based largely on independent settlers enjoyed more autonomy than those whose economy was structured largely around economic 'enclaves' controlled and sometimes even owned by foreign interests. As well, the abundance or otherwise of natural resources was also positively related to the possibility of autonomous development, especially if these were exploited by local capital (Cardoso and Faletto 1979, 25-73; Cardoso 1969a, 16-22).

The possibility of autonomous development was therefore affected by the sociopolitical legacy and subsequent way in which this developed after independence. Especially important was the development of a middle class. Initially this group consisted of merchants who facilitated trade, and a rudimentary state bureaucracy. A significant urban-industrial group also developed in each country, consisting of industrialists, professionals and others. Finally,

organized labor groups often developed. These new groups soon came into conflict with the old landed, rural elites. The way in which this conflict was resolved also affected the possibility of development, whether autonomous or dependent (Cardoso and Faletto 1979, 73-126; Cardoso 1969b, 23-50; Cardoso 1971b, 66-79). Of considerable importance, Cardoso lay the blame for much of the immiseration which characterized contemporary Latin America not on foreign exploitation but on policy failures on the part of the state in Latin America, and these policy failures were the result of Latin America's often dysfunctional societies (Cardoso and Faletto 1979, 61-6; Cardoso 1975, 41-3).

One of Cardoso's fundamental criticisms of dependency theory, then, was its overly mechanistic nature and its excessive focus on the external situation at the expense of internal factors. Cardoso suggests that this might have developed as a result of the strong North American contribution to early dependency work. These scholars tended to look at the relations between their own and the dependent Latin American societies, and focus on these external links. For Cardoso, though, the internal situation was critical. He suggests, for instance, as a fundamental question to be answered by dependency theory

Who are the classes and groups which, in the struggle for control of the existing order (through parties, movements, ideologies, the state, etc.), are making a given structure of domination historically viable or are transforming it? (Cardoso 1977, 16)

Related to this focus on the internal, Cardoso hints that the external situation is effectively beyond the control of societies on the periphery. Therefore, policy would best be directed at making the best of a bad situation through getting the internal house in order. Indeed, in *Dependency and Development*, Cardoso and Faletto refer to

Competition in the open market, standards of industrial quality and productivity, size of investment (for example, to install a petro-chemical industry), patterns of consumption - all these impose certain forms of organization that effect the overall economy (1979, 162).

In this formulation, dependency becomes not so much a political condition imposed on the periphery by 'the core', but an autonomous process out of the immediate control of any entity. More recently, he has suggested that the nature of dependence has changed, as societies on the periphery are in danger today not so much of exploitative domination as in marginalised neglect. Technology has increasingly reduced the need for cheap land, resources and labor -- the traditional comparative advantages of the periphery -- in the production process (Cardoso 1993, 151-6). The logical implication of this is that past domination was not so much a conscious policy of the core as it was a consequence of the insertion of dysfunctional societies into a global trading order made up of other more efficient and better organized societies.

Cardoso's policy prescription (see also Gilpin 1987, 278-81), then, is to improve the periphery's position through internal reform:

A future with dignity for the countries of the South will be achieved only with more education, a better state, enhanced productivity from its "human capital", and a great technological leap forward (information technology, new materials, environmental sense, and new modes of organization). Also required are a democratized society and state (necessary conditions, as noted above, for the marriage of production, university, and society in an atmosphere of freedom which is conducive to organizational and technological innovation) (Cardoso 1993, 157).

Cardoso the politician

Ironically, the military coup which deposed the Goulart regime was to adopt economic policies in many ways very similar to those advocated by *dependentistas*. The military regime's economic policy differed from the implied *dependentista* prescriptions most significantly with regards to support for foreign investment. Foreign, especially American, capital flowed into the

country as official encouragement, coupled with changes to laws limiting the repatriation of profits, created a more attractive environment. Similarities between the *dependentista* prescriptions and the economic policies of the military regime existed, though. The primary focus of the military government was on controlling inflation, which was soon brought down to the two digit range. The methods used to bring this about, however, involved moving in the direction of the *dependentistas* by greatly expanding the role of the state in the economy, as economic activity came increasingly under central direction (Burns 1980, 516-7; Cardoso 1971c, 69; Rocha 1994, 77-82). The military government also followed the implied (especially early) *dependentista* policy prescriptions in that economic growth and industrial expansion continued to take place behind high tariff walls. Note how the economic debate in the country remains on a state-led axis. The 'right' has moved to the old position of the *dependentista* left in that *state-led*, ISI is the goal, albeit with an open investment regime. For the left, state-led ISI with a closed investment regime remains the preferred model. Liberal approaches remain absent (Delgado 1996, 85-91).

By the early 1980s, the economic and social failure of military rule had become evident even within the military, and the regime began the long process of returning the country to civilian rule (Martins 1986, 77-8). In addition to being opposed to any significant social reform in Brazil, the military coup which ousted Goulart was also fiercely anti-communist. The Marxist framework of Cardoso's work attracted the attention of the security forces, and Cardoso was to go into exile in Chile. He returned in the early 1980s as military rule softened and the military began seeking ways to transfer authority to civilians. Cardoso the political theorist became Cardoso the political practitioner on his entering the Senate in 1982. He was appointed finance

minister in 1993, charged with ending the endemic inflation which, then running at an annual rate of around 2300%, had plagued the country for years. Within twelve months inflation was down to around 25%. Largely on the basis of this short run success in taming inflation, he launched a successful bid for the presidency in 1995 (*The Economist* 2 April 1994, 39-40).

The critical issues which Cardoso has sought to address illustrate the apparent shift from his early *dependentista* days. The first priority, again, was bringing down inflation. Critical to this was ending the indexation to inflation of public sector wages and government pensions, as well as wages for much of the formal economy. Cardoso also sought to implement broad-based policy reform. This included dramatically reducing the size of the government bureaucracy, both through cutting the size of the workforce and through privatizations. Slated for privatization were many of the large, state run monopolies in telecommunications, petroleum, and electricity, with a range of non-monopolistic government corporations to be privatized as well. Finally, he sought to end restrictions on foreign investment into the country while lowering tariffs (Hugh-Jones 1995). In these two areas, especially, he contradicted two fundamental *dependentista* policy prescriptions. 'De-linking' to reduce interaction with global markets was commonly put into effect through restrictions on foreign investment and through tariff or other regulatory walls. Cardoso's tariff reforms and removal of foreign investment restrictions, therefore, would act to strengthen Brazil's links to global markets. *Dependentistas* and other groups on the left also saw a large, and often direct, role for the state in promoting autonomous development. Cardoso's privatization plans and cuts in public service payrolls would act to lessen this.

Perhaps the greatest apparent contradiction in Cardoso's presidential bid concerned his

opposition to the candidate from the left, Luiz Inacio 'Lula' de Silva of the *Partido dos Trabalhadores* (Worker's Party); and the similarities between Cardoso's economic policies and those of his conservative predecessor (see, for instance, Rocha's (1994, 82-92) discussion of these). Many, especially on the left of the political spectrum in Brazil, saw 'Lula' as the embodiment of the "collective action guided by political wills that make work what is structurally barely possible" which Cardoso and Faletto (1979, 176) had called for many years earlier. Prior to Cardoso's entering the race, Lula enjoyed a plurality in the polls among the half-dozen or so serious contenders for the presidency. After Cardoso, however, many on the right shifted their support to Cardoso as preferable to Lula, and Cardoso was eventually to win with over half the vote.

This apparent shift in Cardoso's views has been widely noted. Cardoso himself is said to be reluctant to discuss his earlier views and their apparent contradiction with his present policies (Silva 1995:84). While the Brazilian right has been pleased with Cardoso's apparent conversion, with conservative Bahian state governor Antônio Carlos Magalhães chortling that "behind the brilliant Marxist sociologist was always an elitist and a man of the right" (quoted in Fiori 1995, 21-2); the left has been displeased. At least one observer from the left would agree with Magalhães, claiming that Cardoso had chosen "a new ethical and political option by abandoning his reformist idealism to embrace the position of his former object of study, the Brazilian business class. Simultaneously, he assumes as an unquestionable the current international relations of power and dependency." (Fiori 1995, 19-20).

Other observers have been somewhat more charitable in assessing this change. Hoge and Hirschman refer to the evolution of Cardoso's thought, with Hoge referring to the "former

Marxist intellectual whose thinking has evolved from socialism to his current approach, which couples liberal, market-based economics with strong anti-poverty measures" (1995:63).

Hirschman suggests that Cardoso's early Marxism came about because he, like many Latin American intellectuals at the time, was "dismayed by the economic difficulties of late industrialization and by the new tendencies toward authoritarianism, felt that Latin America's economic and political development was reaching a dead end." (1995, 203); and attempts a rough tracing of Cardoso's subsequent intellectual development.

In the next section I will show that Hirschman is probably closer to the truth than is Fiori. However, Hirschman may be incorrect in assuming that Cardoso's thought has changed greatly. These different perceptions seem to flow from different conceptions of what Marxism is. Cardoso's Marxism has focussed on the ends which the movement promotes, while many contemporary Marxists tend to focus more on the correct means to bring these about.

Cardoso and Marx

At this point it might be prudent to diverge briefly into a discussion of contemporary Marxism. Marx's critique of mid-nineteenth century capitalism was rooted in the negative social externalities that the phenomenon was producing. In *The Conditions of the Working Class in England*, Engels showed, through official documents, parliamentary papers, and government reports, that English society was committing "what the English worker's press rightly denounces as social murder" (Engels 1845, 109). Conditions for many of the working poor were such that death often resulted, whether from industrial accidents or the appalling housing, health and sanitation which characterized life in the industrial slums (p. 108-49). All of this, clearly, was

not in the interest of society⁵.

Marx identified inherent inconsistencies of laissez faire capitalism which prevented the massive increases in production which were being realized at the time from being enjoyed by the population on the whole. In its early stages, industrial capitalism met its steadily growing labor needs by drawing workers from the agricultural sector. At some point, though, the increased use of labor saving machinery and the steadily growing industrial labor force reached a state where an excess of labor existed above the needs of industry. This 'industrial reserve army' continued to grow, and became an important part of industrial profitability. The existence of business cycles required manufacturers to be able to respond rapidly by increasing production in times of boom, so a body of labor needed to be available in such instances. When industrial activity slackened, these workers could be dismissed (Marx 1867, 784-5). While living conditions for these marginal workers themselves were poor (Marx discusses this in *Capital*, chapter 25), this industrial reserve army had broader effects on the entire working class:

The industrial reserve army, during the periods of stagnations and average prosperity, weighs down the active army of workers; during the periods of over-production and feverish activity, it puts a curb on their pretensions. The relative surplus population is therefore the background against which the law of demand and supply of labour does its work. It confines the field of action of this law to the limits absolutely convenient to capital's drive to exploit and dominate workers (Marx 1867, 792).

The results of this combination of high rates of growth with stagnant wages was predictable: great wealth and pauperism grew apace (Marx 1867, 802-7).

Despite the great productive power of early capitalism, negative externalities such as these provided the early appeal of Marx's critique. It had, therefore, as its driving force a desire for what Cardoso has recently referred to as social justice and freedom (1993, 151); with this best

understood through an analytical framework emphasizing class relations (see, for instance, Cardoso 1971a, 104-5). Indeed, a fundamental misunderstanding of contemporary critiques of Marx from the wider (non-scholastic) community concerns a lack of understanding of the context in which Marx wrote. While Marx's work was of great relevance to mid-nineteenth century capitalism, and his ideas were important in creating a political basis for the modern welfare state, his *direct* relevance to late twentieth century capitalism is limited.

Contemporary Marxism, though, has tended to interpret these events in myriad ways and has subsequently developed into a broad, variegated church. At least one axis along which Marxists might be divided concerns their broader attitude to Marx's work. For many, Marxism provides a model with great explanatory power which, with an emphasis on relations between social classes, is applicable to many aspects of human society (see Bill and Hargrave 1981, 175-99).

For others, Marxism might be seen as a political movement with particular goals. Many, pointing to the historic and even contemporary failings of capitalism which has produced much social injustice and immiseration, follow Marx in seeing the destruction of capitalism as this ultimate goal (Marx and Engels 1848). Others, also pointing to the failings of capitalism and the social injustice and immiseration which it has produced, see ending this social injustice and immiseration as the ultimate goal. Finally, a last group implicitly treat capitalism as a belief system, with the works of Marx treated almost as dogma to be accepted as literal truth. Carrying out the dictates of these texts becomes the ultimate goal (see Sabine 1961, 806-8; see also Przeworski 1980).

Cardoso has been aware of this multi-faced aspect of Marxism throughout his career, and

has placed himself within it clearly. In *Notas Sobre Estado E Dependência*, Cardoso explicitly places dependency theory and his own work within the broad Marxist intellectual framework, as “the idea of dependency derives from the theoretical camp of the Marxist theory of capitalism” (1975, 33). He also credits “the pen of Lenin and Trotsky”, and accepts as valid Lenin's analysis, for “Lenin formulated, with simplicity, the principal of dependency as a form of articulation between two parts of the same mode of production and as the subordination of one mode of production to the other. I won't harp on what is known” (p. 23).

At the same time, Cardoso explicitly criticized ideologues, Marxists among them, who treated their models as belief systems, applied these to all social phenomena, and interpreted empirical reality in a way which conformed to their beliefs. Such ideologically-driven interpretations of empirical reality and subsequent rejection of policy prescriptions not conforming to one's ideological position as ‘impure’ do not, for Cardoso, constitute a useful foundation from which to work (Cardoso 1975, 25; see also 1969a, 16). He criticized the what he saw as the “circle of the seminary of Marx” (1975, 26); “the small groups of guardians of the sacred tests”; and “the Marxism of the cathedral” (1975, 28) and, more recently, has suggested that “it is not necessary to be a burro to be of the left (*Veja* 12 July 1995, 35).”

Cardoso's Marxism should be seen, then, as a Marxism rooted in the ultimate goals of social justice which initially motivated Marx himself.⁶ His rejection of what might be referred to as fundamentalist Marxism, or, in his words, the Marxism of the cathedral, illustrates a second related aspect of his work which helps to explain his apparent digression from the *dependentista* fold. Cardoso's work has always demonstrated a strong empirical grounding, as opposed to broad, theoretically-driven generalizations (see, for instance Cardoso 1975, 29). For instance, a

fundamental empirical observation which recurs in Cardoso's work is the relative success which some countries had achieved within the international economy. Indeed, the historical record indicated that some countries had managed to achieve real progress for extended periods of time. Argentina and Uruguay, especially, had benefitted greatly from their dependent role as providers of agricultural products to Europe at the turn of the century, while Brazil and other Latin American countries had achieved impressive rates of industrial development (1979, 29-73; see also 1972, 87; 1975, 38). This success was achieved in what the classic *dependentistas* would term a dependent, peripheral position. The implications for Cardoso were clear: if countries on the periphery of the international market were locked into a dependent situation in which surplus was systematically extracted from the periphery to the core, making 'development' impossible on the periphery, how did one explain the success of these two countries?

Cardoso's empiricism was also evident in his earlier, pre- *Dependency and Development* work. *Politica e Desenvolvimento em Sociedades Dependentes* was based on the research which helped to form Cardoso's early *dependentista* views and led him to the broader theoretical insights presented later in collaboration with Faletto. Indeed, *Politica e Desenvolvimento* was both a critique of the then dominant economic nationalist development paradigm and implicitly argued that reinsertion into the international economy was beneficial for dependent societies.

The fundamental question which Cardoso asked in the text was whether the entrepreneurial class in Brazil and Argentina, the two cases which he studied, were capable of the developmental role ascribed to them by economic nationalists. His answer, in short, was no. Cardoso concluded that the national bourgeoisie, on the whole, were too dependent on international partners to carry out the role of developing their countries' industrial and broader

economic base. In other words, adequate profits could be made with much less risk as the local representative of the global economy, protected by high tariff and regulatory walls. Trying to challenge the incumbents in the core was a project with uncertain rewards and great risk (1971b, 201-5).

The important point for my present argument, though, is the robust empiricism⁷ of Cardoso's research. Rather than asserting his position based on his personal theoretical beliefs, or selectively drawing from history, *Politica e Desenvolvimento* is structured around a series of interviews and surveys done of the Brazilian and Argentine industrial bourgeoisie. His subsequent rejection of the economic-nationalist argument, then, is based on his own evidence that the paradigm was incorrect.

As I have argued, Cardoso differed from what might be termed the mainstream *dependentista* position in a number of important respects. First, he was no Marxist ideologue. Marxism for Cardoso was and continues to be a conceptual framework, rather than a collection of *os textos sagrados* from which deviation was not permitted. Cardoso's conceptual framework, and the policy recommendations flowing from this, was predicated on achieving social justice. Finally, those policies more likely to bring about this social justice could only be developed if the empirical reality of Brazil was properly understood - especially the specific way in which the Brazilian economy was tied to global markets, and the reality of class, state and economic articulations within the country.

Cardoso and Brazil circa 1990

The onset of the current economic crisis in Brazil has often been dated from the

exogenous shock of the oil price hikes of the 1970s (Schneider 1991, 288-91). As in much of Latin America, the parameters of political discourse had been “limited by the crippling external and internal debts, galloping inflation, high unemployment, and other problems” (Chilcote 1990, 17). Inflation, which had existed at lower levels for some time, was to grow out of control, with a 1986 cruzeiro being equivalent to about a million by 1991. While Brazilians had grown accustomed to coping with lower inflation rates, and had achieved impressive growth rates despite these, hyperinflation caused a deep economic slump, with real GDP per capita decreasing by about ten per cent from 1986 to 1991. The reasons for this galloping inflation were widely attributed to a number of factors. The rapid growth in government expenditures was of central importance, and a large component of this was the linking of pensions and public sector wages to inflation. At the same time, revenues lagged, due in part to a weak tax collection system, with numerous loopholes for interest groups and weak enforcement. Revenues also declined as a result of economic sclerosis, as Brazilian industry, long protected behind tariff walls built by the import substitution industrialization policies of economic nationalists and weakened by a poor technological base within the country, grew increasingly inefficient in world markets. As a result, the government financed its budget deficits by printing money, leading to hyper-inflation (Rowher 1991 provides a concise, comprehensive discussion of these issues; see also Almeida 1996, and contributions by Martins and Dupas in Baer and Tulchin 1993).

Cardoso's reaction to this situation might be assumed quite easily from his earlier work, especially through his emphasis on understanding the relationship between the state, class, and the economy. The wage indexation-driven component of inflation was very resistant to change by those groups which benefitted from it. These included, especially, pensioners, public sector

employees, and a wide range of formal sector workers to whom indexation also applied. Cardoso had suggested this much earlier, pointing to the way in which ISI policies created interests dependent on this and so resistant to change (Cardoso and Faletto 1979, 175); and the way in which the state had become a mechanism by which public service elites and the beneficiaries of state regulation and controls protected their interests (Cardoso 1986, 38). As a result, opposition to serious structural reform -- ending indexation, cutting waste and inefficiency, improving tax collection -- is typically framed by traditional Marxists in class terms, as the 'working class' seeking to protect its livelihood.

However, the group which suffers most from inflation in Brazil is the very poor. These typically hold assets in cash, rather than placing their money in indexed bank accounts. Further, their uncertain incomes are not indexed to inflation. Given the weak links between the formal labor movement and these informal sector/rural poor (Chilcote 1973, 155-60; Roett 1992, 114-7; Delgado 1996, 93-7), Lula, the left of the PT, São Paulo factory workers, government bureaucrats, or striking oil workers opposed to reform are not an underprivileged proletariat trying to retain their modest livelihoods in the face of a *comprador* government's rapaciousness. Rather, they are a relatively privileged elite trying to maintain their relatively fortunate existence despite the effect of inflation on the real poor in the country. Cardoso states this explicitly in an interview in which he links the Brazilian left to the state, and argues that, paradoxically, the left's

...line of action has conservative elements that manifest themselves more clearly in an attitude of open reaction against any reform leading to the reduction of the size of the state or its presence in the economy. The left does not take into account that those reforms are needed and supported by the vast majority of the Brazilian people (in Hoge 1995, 64).

In addition, the election of Lula was further problematized by the PT's, and Lula's, radical

rhetoric in the past. Despite sounding much more pro-business in the 1994 campaign, the much fierier 1989 campaign was remembered, and a PT victory might have effected marginal investment levels and so brought on a recession.⁸

Fernando Henrique Cardoso's ideological stance, then, could best be described as a pragmatic socialism, or what has recently been termed "neo-liberalism without neo-liberals" (Almeida 1996, 226). Indeed, as has been argued in this paper, given the dominance of state-led 'developmentalist' paradigms in Brazilian economic debates, it is questionable whether liberalism carries the same ideological meaning in Brazil as it does elsewhere (see Almeida 1996). For Cardoso, whether his policies could best be described in ideological terms as opportunistic liberalism by convenience (Nelson Werneck Sodre, in *Veja*, 27 September 1995, 8), as realistic neo-socialism (José Luís Fiori, in *Veja*, 6 September 1995, 8-10); or as "the realization of social-democratic thinking" (Albert Hirschman in *Veja*, 11 January 1995, 8) is irrelevant. For Cardoso, "In Brazil, this business of a liberal government is an empty discussion. The problem is to reform the structure of the state to live with the actual globalized productive system (Cardoso in *Veja*, 17 January 1996, 23)."

Conclusion

I have argued that Fernando Henrique Cardoso's actions since becoming Brazil's finance minister and then president have been consistent with his earlier views as a neo-Marxist scholar. The focus in Cardoso's scholarly work has been on identifying the domestic sources of underdevelopment in Latin America. This is not to wholly ignore international phenomena which have affected Brazil. However, the excessively external focus of dependency theory tended to overlook domestic issues, while simultaneously ignoring the very real potential for

reform *within* these systems. In short, Cardoso's analysis expanded policy options somewhat beyond the 'revolution and de-link' implied by other *dependentistas*.

Cardoso's early misgivings concerning much Marxist analysis appears to have been justified, as the paradigm has lost much of its influence of the 1960s and 1970s. Which is a pity, because Rocha's (1994) call to 'bring back' dependency theory would appear to have great merit. An attention to class relations would seem especially relevant to Brazil, with its world-topping income inequalities. As well, while much of the left has adopted democracy in the face of the failure of authoritarian socialism (Munck 1990, 116; Chilcote 1990, 16); few on the right realize that democracy cannot succeed until the social contradictions within Latin American societies are ameliorated (Perreira et al 1993; Munck 1990, 116). Indeed, the success of Cardoso's presidency may hinge on the degree to which his accommodation with capital limits his ability to channel the benefits of growth to labor and the poor.

Still, the broader theoretical implications of Cardoso's apparent shift from neo-Marxist *dependentista* to neo-liberal *presidente* concerns the place of socialism in the contemporary world. Traditional socialist policy prescriptions have proven ineffective both in competing in international markets and in satisfying popular aspirations. A pragmatic socialism, focusing on social justice ends with less concern for the ideological origins of the means adopted to achieve these, offers a promising vision for the contemporary world.

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1. Though Cardoso dislikes the term (1977, 8), this paper will use the convenient shorthand *dependentista* to describe proponents of dependency theory.

2. See Blomstrom and Hettne (1984, 27). For examples, see Ashcroft (1979, 225-6); Miliband (1969, 15-16); and Carnoy (1984, 172, 187-9, 195).

3. It should be noted that dependency theory has come under great criticism, so that its contemporary influence is much diminished. See Laclau (1971), Smith (1979), Warren (1980), and Lal (1985) for four of the classic criticisms of the *dependentistas*, and Strange (1994, 105-6) for a contemporary treatment of the perspective.

4. Just how much 'associated dependent development' Cardoso and Faletto thought possible is unclear. Almond reads *Dependency and Development* as implying that very little development was possible, indeed, that revolution and the Soviet model were Cardoso and Faletto's policy prescription (Almond 1987, 464-6). This is probably unfair. It is clear that Cardoso and Faletto are less than optimistic concerning the potential of associated dependent development, as ISI policies limited the size of the market; *comprador* links with the core further stymied growth; and the poor bore the brunt of the poverty which resulted (1979, 22). *Dependency and Development* goes to a lot of trouble to make the point that some development is possible, though, which would seem perverse if the authors thought this development was insignificant.

5. Though some Social Darwinists argued to the contrary. Herbert Spencer presented perhaps the classic statement

of this school of thought (1889, 580-2).

6. Cardoso's mentor Albert Hirschman, for instance, has described the ideology of Cardoso's current government as "the realization of social democracy", with this defined as "democracy with social justice" (in *Veja*, 11 January 1995, 8).

7. Almond would disagree with this characterization of Cardoso's work as empirically based. With an implicit view that only quantitative work is empirical, Almond refers to Cardoso's methodology as "assertions backed up by illustrative examples" (1985, 460-1).

8. See, for instance, *Veja* 29 November 1989, p. 52-8, and 25 October 1989, p. 158; *The Economist* 12 March 1994, p. 47, and 2 April 1994, p. 39; and *Jane's Intelligence Review* 1 May 1996.