CHAPTER 11

From Global Capital Accumulation to Varieties of Centre-Leftism in South America: The Cases of Brazil and Argentina

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In the last decade there has been a broad political and ideological shift to the left in the South American continent. Yet different types of political economy regimes can be discerned within this general common trend. A relatively widespread consensus has emerged that presumes that there are two varieties of centre-left administrations in office in the region. Mainstream analyses distinguish countries where a 'responsible left' governs (usually seen to include Brazil, Chile under Bachelet, and Uruguay), from countries where old style 'populism' is in control of the national state (in particular, Argentina, Venezuela, Ecuador, and Bolivia).[1] While the former have retained the 'prudent' macroeconomic policies of the 1990s (albeit combined with better social policies characterising 'second generation' reforms), the latter have relapsed into the 'classic' Latin-American populist vice of 'anti-private-initiative' state interventionism.[2] By contrast, some left-wing commentators conceive that distinction as one between formally centre-left but substantively 'neoliberal' governments, and more genuinely 'progressive' ones.[3]

Finally, other radical observers have been more sceptical about the existence of any real substantive change whatsoever in the political forms prevailing in South America.[4] These scholars have pointed to the need to distinguish between *rhetoric* of social change and *actual policies implemented*. Such scholars have argued that many leftist intellectuals and analysts have succumbed uncritically to the symbolic acts through which centre-left governments have accessed state power (essentially, an anti-neoliberal discourse). But in substance, most of these centre-left administrations continue to reproduce

1 *The Economist* 2006; Bremmer 2006.

2 This is also the view of international financial institutions. See, for example, the critique of the Inter-American Development Bank's flagship report *The Politics of Policies* in Charnock 2009.

3 Klein 2006; Chomsky 2006.

4 Petras and Veltmeyer 2005.

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neoliberalism, even if with a 'human face'. Not much is offered, however, in terms of an actual explanation of the undeniable differences among the centre-left administrations prevailing in South America, which the two previously mentioned approaches do (rightly) note. In other words, these analyses that lump together all current South American centre-left administrations as 'neo-liberalism with a human face', do not shed much light on the reasons why such an allegedly revamped neoliberalism has taken a more modern centre-left guise in some countries, while assuming a more classic Latin American populist shape in others.

The present chapter challenges all those ways of approaching the diverse modalities assumed by the South American turn to the left in the past decade, on the grounds that they fail to uncover the essential material basis that is differentially expressed in each type of political regime. In other words, most positions in the debate fail to offer solid foundations for the comparative political and ideological analysis of the *economic forms* of these national processes of capital accumulation. Instead, they posit the different political and ideological forms that *mediate* the economic content as constituting in and of themselves the ground or foundation for the comparison between the 'varieties of centre-leftism' in South America.

In contrast to the aforementioned approaches, and by way of empirical illustration, here we offer a materialist inquiry into the respective varieties of centre-leftism in Brazil and Argentina. In order to do this, we rely on two main methodological insights from the Marxian critique of political economy.[5] First, we argue that the qualitatively specific *national* form taken by capitalist development in a particular country should be seen as expressing the determinations of the essentially *global* unity of the accumulation process on a world scale. Secondly, we grasp the particular *political forms* prevailing in each country as a necessary mode of existence and motion of the *economic content* of capital accumulation. Armed with these two insights, the article further submits that capital has been accumulating in Brazil and Argentina under the same specific form, namely: through the appropriation of the extraordinary mass of social wealth existing in those national spaces under the form of ground rent. From this starting point, the article then explores the commonalities and also singularities under which the same specific form of capitalist development has unfolded in these countries, and explains why this qualitatively identical content has recently given rise to diverse political forms within a broader trend of a shift to the centre-left. In a nutshell, we show

5 In our general approach to the critique of political economy, we follow the reading of *Capital* originally developed by Juan Iñigo Carrera (2007b; 2008a).

that the differences between the so-called modern social democracy prevailing in Brazil and the classic populist regime in power in Argentina stem from the respective patterns of appropriation of ground rent by industrial capital that have developed in each country to mediate the recent boom of primary commodities. In turn, the country-specific modalities of channelling ground rent into capital's profitability in the recent phase of economic expansion are shown to have developed out of the respective forms taken by the ground rent transfer mechanisms during the neoliberal period in each country, as the latter eventually clashed with their own immanent limits and entered into crisis.

On the Content and Form of Social Reproduction in its Capitalist Form

This section lays out the general determinations that underpin our inquiry into the variety of political forms that have emerged in Brazil and Argentina as part of the broader 'shift to the left' in South America. For reasons of space, we can only offer a brief presentation of the main tenets of our general framework for the study of capitalist development.[6] The central issue at stake is the 'inner' connection between what outwardly appear as two sets of differentiated aspects of capitalist production: the economic and the political, and the global and the national.

In a nutshell, our approach takes the intrinsic unity of the capitalist world market as the starting point of the investigation. In our view, changing patterns of *national* differentiation are concrete forms that express the contradictory dynamics of the *global* accumulation process. In turn, the specific *political forms* prevailing in each country are the expressions of the movement of the *economic forms* taken by global capital accumulation in each national space of valorisation. These two insights are grounded in the more general characteristics of the capitalist mode of production discovered by Marx through the critique of political economy.

The historical specificity of capitalist production derives from the private and independent form taken by human labour. In this historically specific form of the human-life process, the social character of labour is represented as an objective attribute of its product, namely, the value-form, which determines useful objects as commodities.[7] Social relations thus take the alienated form

6 Similarly, reasons of space prevent us from any in-depth critical engagement with alternative approaches other than in passing references or comments.

7 Marx 1976, p. 132.

of powers of the product of labour, and human beings become determined as personifications of those objectified forms of social mediation; in its simplest form, as 'representatives of . . . commodities'.[8]

This indirect form in which the unity of social labour is established is fully developed when it becomes capital. Subsumed under the capital-form, the production of surplus value – in short, the formally boundless quantitative progression of the reified 'social nexus' – becomes the content of social life.[9] In this more concrete form as self-valorising value, the materialised social relation does not simply formally mediate the material life-process of human beings, but actually becomes inverted into the very alienated subject of the process of social reproduction and its expansion *in its unity*: the material metabolism of society takes the inverted form of the accumulation of the *total social capital*.[10] In other words, in capitalist society the process of human metabolism is characterised by an automatism subject to laws, whose motion obviously takes shape through the conscious action of individuals, but whose general unity is unconsciously established 'behind their backs'. The 'law of value' is the succinct term that refers to the unity of the determinate forms of movement assumed by this alienated mode of existence of social life in all its concrete complexity.

In the process of renewal of the conditions for its self-valorisation, the total social capital produces and reproduces commodity owners as members of antagonistic social classes.[11] In its simplest determination, the class struggle is thus the most general direct social relation between collective personifications of commodities (such as a political form of social relations), which mediates the reproduction of the indirect relations of capitalist production through the generalised commodity-form (thereby determined as the economic form of social relations).[12] Although a necessary form taken by the reproduction of the total social capital, the antagonistic character of the class relation disrupts the fluidity of the former's valorisation. The establishment of the general unity of social labour must therefore take shape through a further objectified form of social mediation, the state, which confronts commodity owners (the personifications of money-as-capital and of the commodity labour-power), as an apparently external power with the authority and capacity to establish the

8 Ibid., pp. 178–9.

9 Ibid., 1976, pp. 251–7.

10 Ibid., 1976, p. 763.

11 Ibid., pp. 723–4; Marx 1978, p. 185.

12 Kicillof and Starosta 2007; Iñigo Carrera 2008a.

overall direct regulation of their antagonistic social relations.[13] The state thus develops as the most concrete political form that embodies the direct organisation of the unity of the conditions of social reproduction in its alienated capital-form. That is, the state is the concrete form of the essentially indirect social relations through the valorisation of capital. By virtue of this content, the state becomes the *general political representative of the total social capital*. In brief, capitalist social relations exist as differentiated into economic forms (the autonomised movement of capital-commodities on the market) and political forms (class struggle and the state). The latter, far from enjoying 'autonomy' (relative or otherwise), are the necessary mode of realisation of the contradictory content of the economic mode of existence of capitalist social relations. In other words, class struggle and state policies are not to be conceived of as independent, self-subsisting factors that externally modify or influence the workings of the law of value. Instead, they need to be grasped as necessary modes of motion through which the law of value further unfolds beyond the strictly economic forms immediately springing from the indirect nature of the social relations of capitalist production.

Now, as an expression of its inherently self-expansive nature, this fetishised social relation is global in content and national only in form.[14] This means that it is the self-valorisation of value on a global scale, or global accumulation on the level of total social capital, that constitutes the immanent end in the world market.[15] It follows from this that neither class antagonism nor its expression in the concrete form of state policies *determine* the modality and course of accumulation within each national space of valorisation. Instead, those nationally-differentiated political forms mediate the unfolding of the underlying formal and material unity of the inherently contradictory dynamics of the accumulation of the total social capital at the global scale. Moreover, the immanent content of these global dynamics is not one of 'imperialism' or 'dependency' (that is, a *direct political relation* between states, another mediating *form*), but determined by the production of (relative) surplus value on a world scale.[16]

In sum, the global aspect of capital accumulation should not be viewed as a given external context, which blocks or facilitates the more or less successful integration of abstractly autonomous national economies into the world market. Rather, the movement of capital is intrinsically global, and the unequal

13 Iñigo Carrera 2008b.

14 Iñigo Carrera 2008a, p. 134; Marx 1973, pp. 227–8; Clarke 2001.

15 Smith 2006, p. 193.

16 Burnham 1994 and Howe 1981 have made this point forcefully.

or uneven differentiation of national spaces is merely a manifestation of the contradictory character of the worldwide unfolding of the law of value. This eminently unconscious and crisis-ridden social process gives rise to changing constellations of the international division of labour and, as a consequence, to evolving developmental potentialities for each national space that mediates the production of relative surplus value by the total social capital across the globe.[17] The latter is, in sum, the general economic content that is realised in the political form of state policies (domestic and foreign) and class conflict, albeit 'behind the backs' of the antagonistic actions of the personifications involved (that is, social classes and their diverse political organisations, political elites, and/or state managers).

As is recognised by virtually all accounts of the history of capitalist development in South America, and more broadly Latin America, the original subsumption of these territories to the global accumulation of capital was based on the production of agricultural (and/or mining) commodities for the world market. As Marx remarks in *Capital*, the establishment of this 'classic' modality of the international division of labour was determined by the production of relative surplus through the system of machinery of large-scale industry.[18] In effect, the exceptional natural conditions prevailing in many of these territories allowed for a greater productivity of agricultural labour, thereby resulting in the cheapening of means of subsistence and a lower value of labour-power. However, this form of subsumption of South American territories into the global circuits of accumulation was ridden with a contradiction: if, on the one hand, the total social capital enhanced its valorisation by reducing the value of labour-power, on the other this was partly offset by the drain of surplus value,

17 For an elaboration of the implications of this point for the comprehension of the differentiation of the respective developmental trajectories in Latin America and East Asia, see Grinberg and Starosta 2009.

18 See Marx 1976, pp. 579–80. On the change in the modalities of the international division of labour as expressions of the transformations in the capitalist labour process, see the reflections by Ceceña 1990. In other words, the *material basis* of the forms of the international division of labour is to be found in the changing modalities of the real subsumption of labour to capital, and not in the international political relations between states or in the economic relations established in the circulation process by individual capitals (Iñigo Carrera, 2008a). This means that the *concrete subject* of the establishment of the international division of labour is the global total social capital, and not the particular national fragments of capital from 'imperialist' countries or transnational corporations. In the same vein, the international division of labour is not the result of the subordination of the 'periphery' to the dynamics of accumulation of the 'centre' (as in World-System and Dependency theories).

otherwise available for capital's appropriation, flowing into the pockets of domestic landowners in the form of ground rent.[19] Capital was thus driven to overcome this barrier to its accumulation capacity by reshaping those spaces of valorisation in order to recover part of that surplus value, through the establishment of an 'antagonistic association' with local landowners over the appropriation of ground rent. From being simply a source of cheap raw materials and means of subsistence, those territories became also determined as sources of ground rent recovery for global industrial capital. To the extent that primary commodities produced there have been consumed overseas, ground rent has constituted an inflow of social wealth. As we shall see in the next section, the developmental trajectory of these countries has been determined by the historical course of this modality of capital accumulation.[20]

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19 Ground rent is surplus value potentially appropriated by landowners due to their differential and absolute *monopoly* over non-reproducible natural conditions of production that, respectively, increase labour productivity in the primary sector or allow production altogether. Effectively, primary production exhibits a specific characteristic that distinguishes it from industrial production. Unlike industrial commodities, the commercial prices of primary commodities are regulated by those marginal conditions of production that need to be used to satisfy solvent demand. Competition over the use of non-marginal lands, where production costs are lower, transforms potential surplus profits into ground rent paid to the landowner. Likewise, when successive applications of capital of a given size, each yielding different output, need to be undertaken on plots of land already under production to satisfy solvent demand, non-marginal portions of capital also yield surplus profit, even those applied to worst-quality lands. Competition by individual capitals also transforms these surplus profits into ground rent. Both the *extensive* and *intensive* types of *differential* rent spring from the monopoly by landowners over portions of the planet that yield a different output, and thus profits, for capitals of similar magnitude. Their existence is a concrete form of realisation of the equalisation of the rate of profit among individual capitals. Moreover, since owners of marginal lands would not allow their productive use by capital without also receiving rent in exchange, commercial prices of primary commodities must rise further above the price of production (i.e. the price that covers for normal production costs and average profits) corresponding to the output of worst-quality land (or, more precisely, lowest-yielding portions capital) in order to include a rent springing from the *absolute* monopoly by landowners of a non-reproducible means of production. Unlike *differential* ground rent, the magnitude of the rent of *absolute* monopoly varies not according to soil quality (or location) but to landowners' bargaining power *vis-à-vis* productive capital (Marx 1981, pp. 779–823, 882–907; Iñigo Carrera 2007a, pp. 11–14; Grinberg 2014).

20 Iñigo Carrera 2008a, pp. 150–6.

From Import Substitution Industrialisation (ISI) to the Debt Crisis

The accumulation of capital through the recovery of ground rent has taken a variety of economic and political forms; all of them have involved the mediation of the nation-state. As noted above, these diverse state-forms have not autonomously determined the pattern of industrialisation and economic development in the Latin American national spaces of accumulation. Rather, they have mediated their specific reproduction by channelling ground rent out of landowners' pockets and creating the conditions necessary to allow its appropriation by industrial capital. The process of import substitution industrialisation (ISI) consolidating in most primary commodity producing countries between the 1930s and 1950s, and reaching its peak during the 'commodities boom' of the 1970s, has been the most paradigmatic and developed politico-economic form through which this specific modality of capital accumulation has come about. In general terms, two types of policy-created mechanisms, indissolubly united, gave shape to the Latin American process of ISI as form of accumulation through ground rent recovery.[21] First, policies such as exchange rate overvaluation, taxes on primary commodity exports and state control over their domestic and international trade intervened in the turnover cycle of agrarian capital and separated from it a portion of ground rent. (See figure 11.1 for the evolution of Argentinian and Brazilian exchange rates relative to their purchasing power parity.) All of these policies transferred a portion of ground rent to privately-owned industrial capitals by setting domestic prices of raw materials below their international levels, and, in the case of the overvaluation of the currency, by reducing the local price of foreign exchange for specific imports and the remittance of profits abroad.[22] These policies also transferred a portion of ground rent to the state not only directly (through the monopoly/control of foreign exchange markets and commodity trade or the taxation of raw material exports), but also indirectly (through the payment of relatively high import taxes and other related duties with an overvalued currency). Second, other policies allowed for the appropriation of the

21 On the identification of these policies as a form of channelling ground rent into industrial capital in general, we draw on Iñigo Carrera 2007c. He originally developed the approach for the accumulation of capital in Argentina. For the Brazilian experience, see Grinberg 2014.

22 Competitive pressures have passed the 'discount' from exporters to agrarian capitalists and from these onto landowners and from internationally- to domestically-traded commodities.

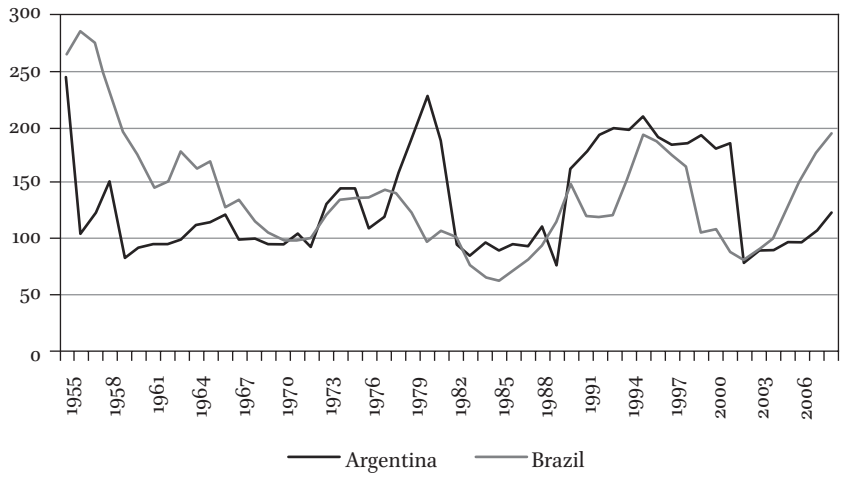

FIGURE 11.1 *Fluctuations of exchange rates around their purchasing power parity.*
Source: Iñigo Carrera 2007; Grinberg 2014.

separated portion of ground rent by industrial capital either through market mechanisms or direct state actions.[23] These included: the differentiated protection of domestic markets (which was stronger for final products than for inputs and machinery); the provision of services, industrial inputs, and credit at subsidised rates by state-owned companies and banks; the regulated expansion of domestic markets through their activities (for instance, the purchase of locally produced goods at inflated prices and an oversized workforce); and direct subsidies. (See figure 11.2 for the evolution of Argentinian and Brazilian ground rent relative to different forms of surplus value.)

Hence, these ISI-promoting policies did not constitute a model of development implemented to solve an external problem (such as the supposed decreasing terms of trade) or as a response to the emerging power of the urban working classes, as argued by structuralist and orthodox writers respectively. Rather, they were the political expression of a form of capital accumulation based on the appropriation/recovery by industrial capital of a portion of the ground rent available in these national economies. So were the populist, both the nationalistic and developmentalist versions, and the authoritarian regimes that, in the historical unfolding of the process, gave shape to those state forms.

Now, between the end of World War II and the mid-1970s, the amount of ground rent available in these national spaces of accumulation increased

23 What is said here for industrial capital holds, *mutatis mutandis*, also for commercial capital.

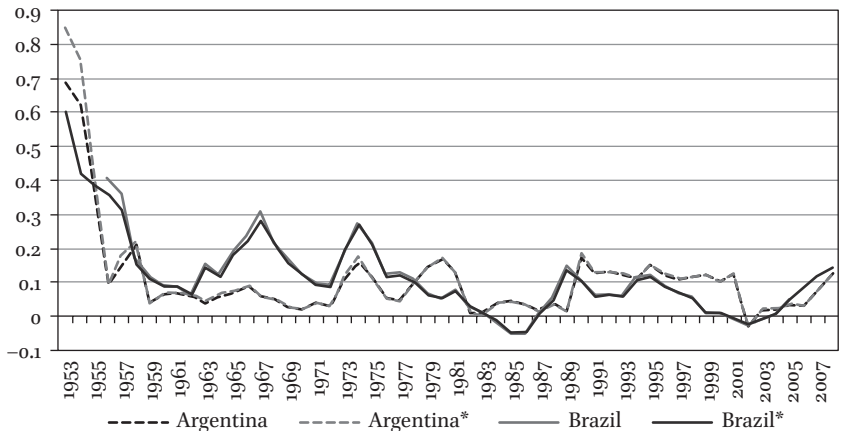

FIGURE 11.2 *Ground rent relative to total surplus value.*
Source: Iñigo Carrera 2007; Grinberg 2014.
Notes: Arg & Bra = ground rent in total surplus value
Arg* & Bra* = ground rent appropriated by others than landowners relative to total surplus value appropriated by others than landowners.

strongly and remained, on average, sufficient to sustain the expanded reproduction of industrial capital there. The fast expansion of the global economy was then sustaining world demand for raw materials, especially those of agrarian origin. Under these conditions, Latin American economies grew rapidly while the ISI process widened and deepened. Employment and real wages increased substantially, especially in the industrial sector.

Yet, the reproduction of the process of capital accumulation in the region rested on inherently contradictory bases. In the first place, in order to recover ground rent, industrial capital had to open and close its valorisation cycle in these countries' domestic markets. As a consequence, these had to remain protected to a degree conditioned by the amount of ground rent available to sustain local industrial production. Indeed, unable to produce for world markets, and thus compete with those industrial capitals that had engendered the spaces of accumulation where large amounts of ground rent arise, the scale of accumulation of capital operating there became limited to the size of domestic markets. With a scale of accumulation below world market norms, the use of cutting-edge technology remained restricted. Moreover, policies maximising the appropriation of ground rent by industrial capital (i.e. exchange rate overvaluation) reinforced this restriction further. Hence, industrial capital's accumulation capacity there became dependent on the evolution of the ground rent available to compensate for the ever-growing difference between local and world market production costs, in turn resulting from the difference

between local and world market scales of production and their impact upon technological profiles and, thus, levels of labour productivity. Nevertheless, foreign-invested industrial capital, which accelerated its entrance in these types of economies after the mid-1950s and dominated the most dynamic industrial sectors thereafter, managed in this way to valorise normally while recycling obsolete, and often already amortised, equipment. In the second place, by lowering the domestic prices of primary commodities, the forms of appropriation of ground rent by social subjects other than landowners also restricted the intensive and extensive application of capital to primary production and, thus, its growth and that of the available ground rent.[24]

Throughout the mid-to-late-1970s, these contradictory dynamics led to crisis. After the short-lived 1972–5 commodities 'boom', the prices of raw materials entered into a long period of contraction (in the case of oil, the decline began in 1981). This contraction was apparent thereafter in the relatively slow increase, or even absolute decline, of the amount of ground rent available for appropriation in the Latin American spaces of accumulation. Industrial capital then began to rely, or significantly increase its reliance, on a second source of extraordinary social wealth to complement normal surplus value extracted from the domestic working classes, namely, overproduced capital in the form of (external) credit. (See figure 11.3 for the evolution of net inflows of foreign loanable capital to Argentina and Brazil.) This source of extraordinary social wealth was not only qualitatively more unreliable than the ground rent, but also quantitatively more unstable. In effect, though the former has been expanding worldwide ever since (as a way of postponing the general crisis of overproduction), its expansion has not been constant. On the contrary, it has taken the form of an alternation of periods in which fictitious capital, and consequently the global supply of credit, expanded rapidly and sustained world social consumption, with periods in which the opposite occurred, as was the case during much of the 1980s and early 1990s.[25] The process of 'state-led' ISI would then enter into a deep crisis.

Neoliberalism in South America

In general terms, with the combined mass of ground rent and net loanable capital (credit) inflows stagnating/contracting, or simply growing more slowly than their requirement by capital, the previously developed scale of indus-

24 Iñigo Carrera 2008a.

25 Ibid.; Brenner 2006b.

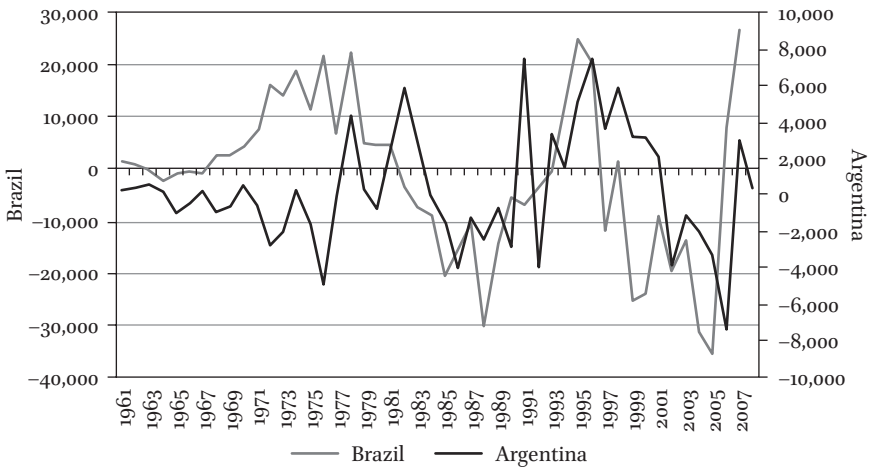

FIGURE 11.3 *Net inflow of external credit in million US$ 2004.*
Source: Iñigo Carrera 2007; Grinberg 2011.
Note: For Argentina only includes public sector external debt.

trial production could not be sustained any longer. Policies that had been transferring these resources to industrial capital, thus sustaining its profitability, then slowly reversed into neoliberal programmes inspired by the so-called Washington Consensus. Import tariffs were sharply, though not universally, reduced while several state-owned enterprises were privatised (or closed altogether) and public sector employment and welfare expenditures were 'rationalised', thus eliminating some of the main forms of ground rent transfer to, and appropriation by, industrial capital. State policies supporting the process of ISI (such as the combination of an overvalued currency and market protection, subsidised state-bank loans, and tax credits) became thereafter increasingly selective and limited. Industrial capital remained, nevertheless, largely producing for protected domestic markets and, after the large-scale privatisation programme of the 1990s, began to compete with capital invested in previously state-provided public-utility services and industrial inputs in the bid to appropriate ground rent.

Inevitably, without the necessary resources to compensate for the ever-growing productivity gap, industrial value-added collapsed and GDP growth stagnated during large parts of the post-1980 period. The demand for labour-power, especially in the manufacturing sector, suffered accordingly. Unemployment then mounted and real wages decreased substantially, thus creating another source of extraordinary surplus value available to compensate for the low level of labour productivity resulting from the reduced scale of production: the sustained payment of labour-power below its value. (See figures 11.4, 11.5, and 11.6

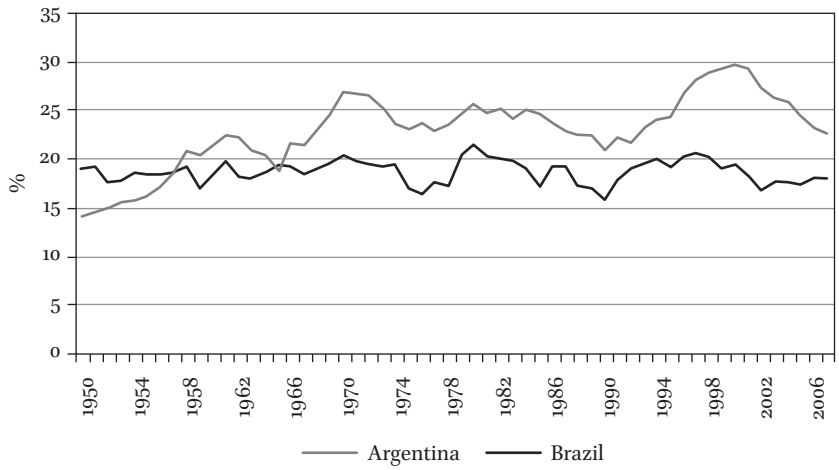

FIGURE 11.4 *Labour productivity relative to US levels.*
Source: Iñigo Carrera 2007; Grinberg 2011.

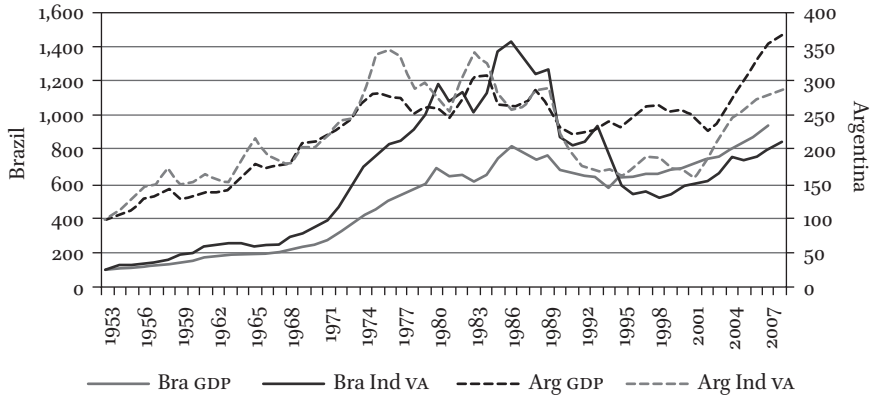

FIGURE 11.5 *GDP and industrial value-added (1953=100).*
Source: Iñigo Carrera 2007; Grinberg 2011.

for the evolution of Argentinian and Brazilian labour productivity relative to US levels, growth processes and industrial wages, respectively.)

Yet, between 1993 and 1998 both the supply of credit and the amount of ground rent experienced a worldwide recovery, and so did the process of capital accumulation in most of the Latin American countries where it was heavily supported by them. These resources, together with the funds collected through the privatisation of state-owned companies (which accelerated during the 1990s), became the bulk of the social wealth used to support the profitability

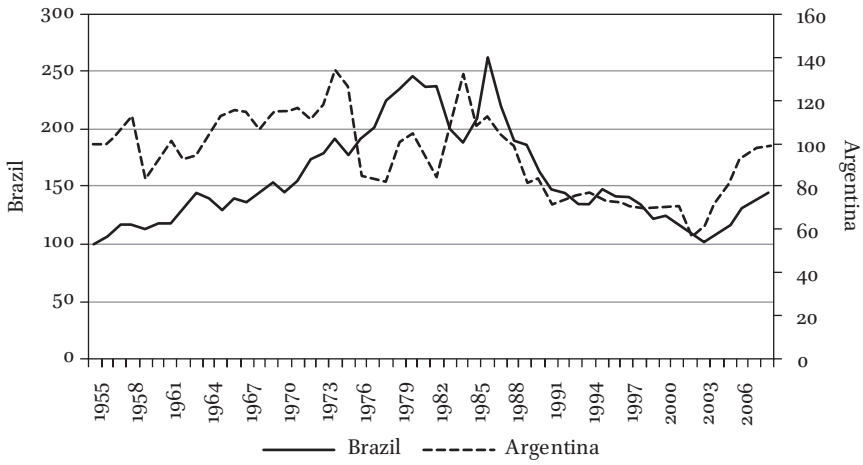

FIGURE 11.6 *Real industrial wages (1955=100).*
Source: Iñigo Carrera 2007; Grinberg 2011.

of industrial capital. The ensuing economic recovery, however, could not be represented politically by national-populist governments, as had been the case in most pre-1980 periods of ground rent expansion. On the one hand, it was far from being substantial or capable of sustaining significant expansions of industrial production and employment and, consequently, real wage gains. On the other hand, the extended use of foreign loans and the privatisation of state-owned assets at fire-sale prices to sustain the process of capital accumulation clashed with the deeply-embedded nationalistic ideology of Latin American populist movements, for which national autonomy from international finance capital and state ownership of firms in strategic sectors were paramount. Furthermore, the 1990s marked (through the dismantling of most forms of social security, the reduction in public-sector employment, and the increase in the price of public services after their privatisation) the acceleration of the process of differentiation of the productive attributes of the working class (the skills and concomitant conditions of reproduction), which resulted from the development of increasingly automated and computerised technologies. Right-of-centre governments, with their 'modernising' ideology, were much better suited than left-of-centre ones to undertake and realise these developments, especially when the 'heterodox' policies of the second half of the 1980s ended in hyperinflation and massive declines in real wages.

In contrast to the developmentalist stage of import substitution industrialisation, the neoliberal period became characterised by the appropriation of ground rent, and its complementary sources of extraordinary wealth, by only

a restricted portion of industrial capital. Crucially, that controlled by foreign-owned companies, which remained protected from external competition, and/or receiving state subsidies (for instance, the all-important automobile companies in Argentina, Brazil, and Venezuela), those directly associated with natural resource exploitation, and the privatised service sector (including banks). The latter was 'naturally' protected from external competition, benefited from lax regulatory frameworks and, in some cases, also received state support. Service sector companies, such as energy and telecommunications providers, were among the most concentrated industrial capitals in the world; hence their power to become one of the main partners of landowners in the appropriation of the South American ground rent. The overvaluation of the national currency became, again, the predominant form of ground rent transfer and appropriation by social subjects other than landowners.[26]

The 1993–8 recovery, however, was neither sufficiently strong to reverse the deterioration produced by the severe contraction of the previous period, nor long-lasting. By the end of the decade, a new deceleration in credit supply expansion became apparent in the decline of the growth rate of the global economy and, therefore, of the demand for raw materials and the Latin American ground rent. This global slowdown also resulted in the reduction of the amount of loanable capital available to Latin America, especially to South American countries, which transformed the substantial net inflow of the previous years into large outflows. Without these sources of extraordinary social wealth, the process of capital accumulation in the region entered a new period of economic hardship. In some cases, like Argentina, sharp and violent economic contraction manifested itself in deep political crises. In other cases, such as Brazil, economic problems came about through less intense political confrontations. In all cases, strong wage contractions compensated for the fall in the amount of ground rent and foreign loans available to sustain capital's valorisation. Yet, through 2003–4, these difficulties began to recede. The global economy was then entering a new period of credit-fuelled growth, which resulted in the strengthening of the demand for raw materials and, to a lesser extent, the positive inflow of loanable capital to developing countries. The next two sections will analyse the singularities of the Brazilian and Argentinean experiences during the post-2003 period of rapid growth, while

26 In Mexico and the rest of the Caribbean Basin capital accumulation was then taking a new, different form. Since the mid-1980s, capital has valorised there through the production of industrial commodities for world markets using the relatively cheap and disciplined local workforce for simplified activities as an appendage of the increasingly automated machinery or in manual assembly operations. See Grinberg 2010.

also paying attention to the immediately preceding period in order to show the intrinsic unity of the two.

Brazil: From the 'Letter to the Brazilian People' to Lula's Second Term[27]

In 1998, international interest rates peaked, after increasing steadily since 1993. The increased cost and scarcity of credit was beginning to have a negative impact on global economic activity and, consequently, on the price of raw materials. Exporters of primary commodities began to feel the impact of the developments in the world economy in the same way as Asian exporters of 'industrial commodities' such as memory chips had done the previous year. Brazil was no exception to this trend. The substantial inflow of long-term debt, attracted at an unsustainably high cost, barely compensated for the massive outflow of 'hot-money'.[28] The difference between the two, however, was not enough to compensate for the large current account deficit, in turn worsened by the prevailing exchange-rate overvaluation. Central Bank international reserves fell sharply, even when privatisation funds peaked, potentially increasing the amount of foreign exchange that could be used to support the overvaluation of the national currency, the Real. While the rate of economic growth in 1997 had been 3.1 percent, in 1998 the economy contracted by 1.1 percent.[29] Labour market conditions worsened markedly, especially in the industrial sector, where they were already in poor shape. The Cardoso administration then took advantage of labour's weakened bargaining power to further

27 On the specific manifestations of processes of capital accumulation through ground rent recovery in Brazil since the 1990s we mainly draw on Grinberg 2011 and Grinberg 2013. For a long historical view and quantitative empirical evidence, see Grinberg 2011 and Grinberg 2014.

28 In late 1998, real interest rates on the Brazilian public debt skyrocketed to 35 percent. See Lopes 2003, p. 51.

29 Throughout this chapter, economic growth is measured in terms of the evolution of the GDP in domestic currency of constant purchasing power, i.e. time-series of nominal GDP deflated using the evolution of the relevant Consumer Price Index (CPI). This is a more appropriate measure of the aggregate economic performance of a country than the conventionally-used GDP in constant prices of a base year. Although usually taken as an indicator of 'real' growth, the evolution of the latter is not an accurate measure of the expansion of the scale of a capitalist economy. Insofar as it is a *quantity* index, it can only capture the evolution of the material content of social wealth, i.e. *use-value* production, but is incapable of measuring the latter's evolution in its capitalist *value-form*.

the programme of labour market reform through flexibilisation.[30] Indeed, the organised labour movement was particularly hard hit during the 1990s neoliberal 'restructuring', when formal employment in the industrial sector contracted by 30 percent.[31]

By the end of 1998, the pressure on the Brazilian economy became unbearable, even though the country received massive financial and political support from a consortium led by the International Monetary Fund (IMF).[32] Governments in such large states as Minas Gerais, Rio de Janeiro, and Rio Grande do Sul declared a moratorium on the service of their debts with the Federal administration, weakening the fiscal stance of the state even further.[33] Although the IMF argued against it, fearing that it would trigger a region-wide currency and banking crisis, exchange-rate devaluation was the first move of incumbent president Fernando Henrique Cardoso after securing his re-election in late 1998.[34] After four-and-a-half years, the exchange-rate targeting regime was replaced by one targeting the inflation rate, as part of a new understanding with the Fund. There is no doubt that the timing of the devaluation helped Cardoso's re-election. It is doubtful, however, that his main rival, Workers' Party (PT) leader Luiz Inácio Lula Da Silva, would have been able to administer the further wage contraction that would result from the deterioration of the economic conditions of the Brazilian process of capital accumulation.[35]

Cardoso's second term in office (from January 1999 to December 2002) was concurrent with a period of global economic slowdown. In 1999, net loanable capital outflows from Brazil became significant for the first time since the early 1990s. Part of these outflows was financed with a portion of the foreign exchange reserves accumulated during the previous years when credit was abundant. Most of the rest was paid with a portion of the value of labour-power and of normal surplus value. International primary commodity prices also dropped sharply, negatively affecting the size of the Brazilian ground rent. Nevertheless, economic growth during Cardoso's second term was, on average, as strong as during his first four years in office. As ever before, growth during this period resulted from, and reproduced, the specifically limited, essentially unchanged mode of capital accumulation that had characterised the Brazilian economy.

30 Novelli and Galvão 2001–2, pp. 24–5; Marshall 2004.

31 Pochmann 2008, pp. 65–77.

32 The contribution amounted to around US$ 41 billion. See Novelli and Galvão 2001–2, p. 16.

33 Amann and Baer 2000, p. 1817; Abreu 2008, p. 438.

34 Lopes 2003; Amann and Baer 2000, pp. 1817–28; Abreu 2008, pp. 439–40.

35 See Bethell and Nicolau 2008, pp. 263–4, on the 1998 general elections.

First, industrial wages had fallen significantly during the second part of the 1990s and dropped a further 5.2 percent yearly on average during 1999–2003, thus partly compensating capital for the effect of a contracting ground rent on its profitability. The post-1998 devaluation of the exchange rate had led to an inflationary process with which wages could not catch up fully. The disarticulated trade union movement was incapable of offering sufficient resistance. In 2003, the year before they began to recover, average real wages in manufacturing were already 24 percent below their 1998 level and only 37.5 percent of the level of 1986, at the peak of the newly established civilian government. Second, there was underutilised productive capacity in the industrial sector, largely built up and financed during the previous period of relatively abundant ground rent and large loanable capital inflows (1994–8). Third, the exchange rate was at purchasing power parity during 1999–2000 and became undervalued (15 percent average) in 2001–2. Until early 2002, the currency of Argentina – the largest market for Brazil's durable-consumer goods exports – was kept strongly overvalued. Despite Argentina's economic recession, this over-evaluation helped expand the market for Brazilian industrial commodities and partly compensated for the contraction of domestic demand.[36] Indeed, in 2003, economic growth in Brazil stalled, as the Argentine currency became itself massively undervalued. Fourth, the inflow of foreign capitals searching for cheap industrial and public sector assets in Brazil helped sustain the economy's import capacity (and expand the scale of accumulation).

Through 2002, the globally integrated cycle of capital accumulation began to turn around. Stimulated by the prevailing low interest rates, credit markets in the advanced industrialised economies were finally regaining liquidity. Nevertheless, when the presidential election was held in late 2002, the Brazilian economy confronted another 'currency' crisis.[37] Although the situation would begin to change in the following period, the availability of loanable capital for 'developing' countries was still at its lowest levels in many years. So were the international prices of primary commodities. As in 1994 and 1999, the candidates of the incumbent right-of-the-centre Partido da Social Democracia Brasileira (Brazilian Social-democratic Party, PSDB) and the leftist PT contended for the presidency. This time, however, the context was markedly different. Cardoso's administration was highly compromised by the continuing fiscal adjustment programme, the fall in real wages and the emerging 'currency' crisis. It would have found it hard to continue with the fiscal adjustments without

36 Amann and Baer 2000, p. 1818.

37 See Abreu 2008, pp. 444–7, on the 2002 currency crisis. Abreu, however, partly attributes the turmoil to the prospects of a PT victory in the upcoming elections.

the backing of trade unions and social movements, which were the PT's main sources of support. Moreover, Cardoso's party, the PSDB, could hardly be transformed into a political organisation that would administer the post-2002 strong recovery of the ground rent, even if led by its left wing. The political forms of the process of capital accumulation would change in order to express and mediate its economic transformations. In the 2002 elections, Lula was finally successful in his fourth attempt to win the presidency, defeating PSDB's candidate, ex-dependency theory economist, José Serra. As always, corporate media support was a key factor in the election's result.[38]

Lula's electoral manifesto, however, was far less radical than the one the PT defended when it had been founded in 1980, at the highest point of expansion of the Brazilian process of capital accumulation through ISI. Indeed, when in the final stages of the campaign Lula was blackmailed by the incumbent authorities, the mainstream press, and the IMF, to reassert his neoliberal credentials, he not only radically softened his stance on economic policy, but also wrote the infamous 'Letter to the Brazilian People' claiming he would honour Brazil's foreign debt commitments and continue with the economic legacy left by the Cardoso administration.[39] Lula also distanced himself from the various social movements and radical left groups that had formed and supported the PT, such as the Movimento dos Trabalhadores Sem Terra (Landless Workers' Movement, MST), which had grown considerably since the 1970s. The PT leadership also took pains to differentiate itself from the trade union movement, the original backbone of the party.[40] Moreover, to reassure the business sector of his intentions, Lula recreated the populist inter-class alliance of the 1950s by picking José Alencar as deputy, a well-known businessman, ex-Honorary President of the conservative Partido da Frente Liberal (Liberal Front Party, PFL), and current member of the Brazilian Republican Party, which is closely related to the rapidly growing Evangelical Church.[41] The fact that openly neoliberal economists formed Lula's first economic policy-making team, including

38 Oliveira 2006, p. 12; Bethell and Nicolau 2008, pp. 274–5.

39 Abreu 2008, pp. 448–9 suggests that Lula's change of opinion regarding an IMF bail-out involved 'subtle games' that made him 'feel constrained to publicly pledge to honour the general terms of the agreement'.

40 On the changes in the Brazilian rural sector, including the fall in employment, see Valle Silva 2008, pp. 485–7.

41 On the PT's strategic change and Lula's electoral victory, see Panizza 2004; Bethell and Nicolau 2008, pp. 275–7; Abreu 2008, pp. 446–9.

the incumbent president of the Central Bank, shows that his makeover was far from a simple electoral trick.[42]

In practice, the new Lula administration fulfilled its latest campaign promises. With the ground rent only slowly recovering and loanable capital outflows growing, the adjustment of the public sector budget went further than it did during Cardoso's second term. Foreign lenders were not fully willing to finance the service of Brazil's external liabilities, most of it indirectly falling on the state through its domestic borrowing from economic agents issuing debt instruments in international markets. Primary budget surpluses had to be expanded in order to pay an increasingly large portion of the interest services on the massive public debt. The Brazilian state was then paying one of the world's largest interest rate premiums (11.2 percent on average in real terms above the cost of the US government debt during 2002–5) and was still unable to fully finance its debt-servicing requirements.[43] As noted, growth remained weak during the first years of Lula's tenure.

In 2004, however, Brazilian economic growth accelerated to levels not experienced for many years. Indeed, during 2004–8, before the credit crunch rocked global markets, the Brazilian economy expanded at a yearly average of seven percent while industrial value added grew by five percent annual average. The strong recovery of international primary commodity prices, together with substantial output increases, yielded a solid expansion of the ground rent available for appropriation, notably after 2005. Moreover, in 2006 the flow of loanable capital reversed once more and large net inflows became the norm thereafter.

As many times before, the national currency became increasingly overvalued to allow capital to directly appropriate a portion of the enlarged ground rent. Portraying it as a policy to target (control) inflation, itself resulting from its own reserve accumulation strategy and the increasingly expansionary fiscal and credit policies, the Central Bank kept interest rates at relatively high levels, even when international liquidity was rising and global interest rates were falling. As interest rates set by the Central Bank to control inflation also directly affect the return of public sector bonds, this policy has attracted large sums of 'hot money' in the form of loans to the Brazilian state.[44] Hence, in practice, like in the 1990s, the Central Bank has, through its interventions to sterilise the monetary expansion resulting from these inflows of loanable capital, borrowed foreign-exchange resources indirectly, at internationally high interest

42 Oliveira 2006, pp. 12–13.

43 See Saad-Filho and Morais 2005, pp. 19–20; Abreu 2008, pp. 452–3, on the orthodox fiscal and monetary policies implemented by the first economic team of Lula's government.

44 See Arestis et al. 2011 on inflation 'targeting' and exchange-rate policy in Brazil.

rates, increased their supply and thus kept their domestic price low, and the national currency overvalued, despite the prevailing free-floating exchange-rate regime. In 2008, the degree of overvaluation of the Real already reached 93 percent and helped channel a portion of the expanding ground rent equivalent to 14 percent of total surplus value available for appropriation in the national economy to social subjects other than landowners, notably industrial capital. As exchange-rate overvaluation, as well as market protection, strengthened thereafter, the portion of the ground rent transferred through this policy also increased, even if its absolute amount decreased in the context of falling prices of primary commodities.

The expansion of the ground rent not only manifested itself in the expansion of the process of capital accumulation, as industrial capital managed to appropriate directly a portion of the enlarged rent through exchange-rate overvaluation. It also resulted in the increase of state resources. To begin with, a portion of ground rent was, in the first instance, appropriated by the state through import taxes paid with an increasingly overvalued currency. Second, the expansion of economic activity allowed by the increased ground rent enlarged fiscal revenues in general. The new conditions required still another change in the direction of public policies. The first economic team, dominated by conservatives, was then partly replaced by a more 'developmentalist' group of policy-makers. Finance Minister Antonio Palocci, from the PT's right wing, was replaced by ex-Marxist economist Guido Mantega, while ex-guerrilla member and future President Dilma Rousseff was appointed chief of staff. Nevertheless, the commitment to sustain a 'strong' and 'stable' currency – the euphemisms used ideologically to defend the overvaluation of the currency – remained state policy. Ex-Bank Boston president and PSDB member Henrique Meirelles continued in his position as head of the Central Bank.[45]

Economic and social policies thus became increasingly expansionist and began to regain some developmentalist features. Interest rates on loans from the state bank were cut while their supply expanded. The protection of local industrial production was reinforced. Economic growth proceeded strongly while public sector expenditures increased, including those in infrastructure and social welfare.[46] The latter were not only needed to compensate for some of the negative consequences of the previous decade's market reforms

45 See Morais and Saad-Filho 2011 on the limited policy shift during Lula's second term in office. See Abreu 2008, pp. 453–4, on the relaxation of monetary policy in 2004. See also Oliveira 2006, p. 10, on policy continuity.

46 See Morais and Saad-Filho 2011, pp. 34–6, on economic and social policies. See Hall 2008; Hunter and Borges Sugiyana 2009, p. 47, on social policies specifically.

related to the conditions of reproduction of labour-power, but also to create or strengthen the political conditions needed for the normal reproduction of the process of capital accumulation under its new economic forms. These new social policies also contributed to the enlargement of the domestic markets for consumer goods. Foreign policies also recovered some of their past characteristics. This change not only came about through a new reaffirmation of Brazil's international leadership, but also through its alliance with Mercosur partners in rejecting the United States' free-trade projects for the region.[47] Both were necessary for the Brazilian state to sustain and, eventually, reinforce the protection of the markets where capital realised the appropriation of the ground rent.[48] Hence, the shift in foreign policy ought to be understood as nothing more than a political (and ideological) form of realisation of the expansion of the ground rent and, thus, an expression of the limited process of capital accumulation in Brazil. Finally, in 2007, at the peak of the expansion of ground rent, the government launched the Growth Acceleration Programme to improve, much like the Second National Development Plan during the 1970s commodities 'boom', the provision of social infrastructure.[49]

As the industrial sector expanded, employment growth accelerated. In 2004, industrial wages began to enjoy strong real-term increases. Necessary for the normal reproduction of labour-power, this process came about through the revitalisation of the trade union movement. In contrast to the defensive actions of the 1980s and the relative passivity of the 1990s, when the 'state-led' ISI process entered into a deep crisis and neoliberal reforms re-shaped it, respectively, the 2000s saw a revival of offensive trade union struggles. Strikes gained in participation, though not in frequency, and became focused on advances rather than on defending existing rights and payment arrangements. Traditional private sector and state-controlled industries such as metal-mechanics, petroleum, construction, and postal services increasingly became the locus of struggles. Moreover, the process of real wage increases also realised through changes in the relationship between trade unions and mainstream political parties. The fragmented labour movement that had unsuccessfully opposed neoliberal reforms under the Cardoso administration largely aligned in support of Lula's government.[50] Yet, despite the gains enjoyed in the industrial sector, economy-wide average wages failed to show any significant recovery and remained stagnant at the 2003 level, which was around 30 percent below

47 See Morais and Saad-Filho 2011, p. 37, on Brazil's foreign policies.

48 Grinberg 2010.

49 Schaller 2008.

50 Boito and Marcelino 2011.

FIGURE 11.7 *Economy-wide real wages (1985=100).*
Source: Iñigo Carrera 2007; Grinberg 2011.

that of 1997. (See figure 11.7 for the evolution of economy-wide real wages.) Nevertheless, in contrast to the 1990s, as total employment increased substantially, as well as minimum wages and related social-security payments, economic growth resulted in noticeable improvements in the conditions of reproduction of both low-skilled manual workers and the under/unemployed.[51]

As was the case during the 1970s commodities boom, the strong post-2003 expansion of the ground rent and the consequent improvement in the performance of the Brazilian economy created the impression that, after the fine tuning of the 1990s, Brazil was posed finally to realise all of its untapped potential.[52] This impression, however, might be misleading. This strong growth did not result from the 'reforms' introduced during Cardoso's administration and reinforced during Lula's, as argued by some authors.[53] But neither was the economic expansion the result of the corrections that the latter introduced to the course set during Cardoso's terms of office (tighter fiscal policy and flexible exchange rates), as other authors claimed.[54] Despite all the changes in its

51 Morais and Saad-Filho 2011, p. 36.

52 Some financial sector gurus even include it in a group of selected developing economies that in the immediate future will supposedly eclipse most of the current richest countries in the world; the so-called BRIC countries of Brazil, Russia, India, and China.

53 See, for example, Roett 2010 and Edwards 2010.

54 See, for example, Barros de Castro 2008.

political and ideological forms since the early 1990s, and the impressive post-2003 growth performance, the underlying structure of the Brazilian economy has not experienced any substantive transformation. Capital has continued accumulating in Brazil mainly by producing for 'politically' or 'naturally' protected domestic (or regional) markets. Capital has still compensated its higher production costs (compared to international norms), resulting from the low level of labour productivity, by appropriating a portion of ground rent, complemented with inflows of loanable capital and the payment of labour-power below its value. Moreover, though significantly enlarged after 2006, the ground rent has been sufficient to support only a relatively mild process of reindustrialisation. In 2008, after five years of rapid industrial expansion, manufacturing value-added and wages were, in real terms, still around 55–60 percent of the 1986 values. Moreover, despite growing strongly after 2003, Brazilian GDP and GDP per capita were in 2008 only 5.5 percent and nine percent of US levels, respectively. In 1980, they had been 8.7 and 17 percent, respectively, before the ground rent available for appropriation became unable to sustain an extended ISI process.[55]

Argentina: From '*Qué se Vayan Todos*' to Cristina Fernández de Kirchner (CFK)

As we have seen in the discussion above, public sector foreign debt was a crucial additional source of social wealth sustaining capital accumulation during the 1990s across South America. During that period, the particular modality of transferring ground rent (and also of channelling loanable capital) into industrial capital's profits in the region mainly revolved around the overvaluation of the currency. Argentina was no exception. On the contrary, it could be argued that the political forms taken by this process in Argentina actually made it the paradigmatic case of the way in which this mode of capital

55 Grinberg 2011, p. 197. After 2008, as the global economy slowed, Brazilian economic growth decelerated sharply. GDP growth went down to four percent yearly average during 2009–12, with most of this growth occurring in 2010 when the economy expanded by 10.8 percent. As international primary commodity prices fell from peak levels in the aftermath of the global 'credit crunch', the Brazilian ground rent was affected negatively. Industrial value added thus decreased by 1.53 percent annual average during that period. Yet, real wages in the sector increased 1.26 percent average, thus resulting in a fall in the rate of profit of industrial capital.

accumulation clashed against its own immanent limits.[56] The overvaluation of the national currency was the product of the Convertibility Plan, which legally fixed the exchange rate of the Argentine Peso to the US dollar at a level that did not reflect its international purchasing power. As elsewhere, the increasing requirements of hard currency by the Central Bank were covered by spiralling international loans. Coupled with a wider process of liberalisation of foreign trade, this form of appropriation of ground rent would result in the virtual disappearance of the more complex industrial activities (with the exception of those sectors like automobile final assembly, which remained strongly protected despite the liberalising rhetoric), mass bankruptcy of small-sized industrial capitals, and, therefore, the acceleration of the growth of the surplus population.[57]

As global accumulation expanded without any apparent limit, the multiplication of fictitious capital flowed into Argentina in the form of additional foreign loans that sustained the ever-growing needs for international reserves entailed by the increasingly strong overvaluation of the currency. More specifically, the peculiarity of the Argentine case during the 1990s springs from the way in which the state, through a series of lifelines that international financial institutions offered to one of their best 'pupils' (partial re-negotiations of the foreign debt and new loans), managed to extend the legally-created fiction of the strong peso despite the post-1997 slowdown of global accumulation – hence of the flow of ground rent and private loanable capital. The result of this was the continuous reproduction of this modality of transferring ground rent to industrial capital but at the cost of a prolonged recession that would stretch into the following decade. On the one hand, in the context of declining primary commodity prices, the overvaluation of the currency affected the normal valorisation of agrarian capital, thereby limiting output growth in the sector and thus the size of ground rent. On the other, with a contracting ground rent available for appropriation, the overvaluation of the peso hurt the profitability

56 On this specific form of capital accumulation in Argentina since the 1990s we mainly draw on Iñigo Carrera 2006. For a long historical view and quantitative empirical evidence, see Iñigo Carrera 2007c.

57 However, the content of this process has not been one of de-industrialisation. Rather, at stake in those years was an intensification of the concentration and centralisation of those industrial capitals that did survive (Grigera 2011). In fact, by cheapening imports, the overvaluation of the currency acted as a vehicle for the renovation of means of production, whose result was a period characterised by the relative growth of the productivity of labour. On the latter point, see Dachevsky 2011.

of industrial capital in general and thus social production beyond the agrarian sector.[58] This situation was further complicated by the legal restrictions that the 'convertibility' regime posed to a reduction of real wages via inflation, as a way to compensate for the fall in ground rent. Moreover, as the previous section showed, the latter was the path that Brazil followed after 1998, with the result of undermining the competitiveness of Argentina's exports even further. The effects were devastating: between 1997 and 2001 manufacturing value-added plummeted by 17 percent in real terms[59] and the rates of unemployment and underemployment respectively reached 17.4 percent and 15.6 percent by 2001.[60]

This situation, hanging as it did on the ability of the national state to continuously replenish the international reserves of the Central Bank through an ever-greater expansion of international loans, could obviously not last for long. In effect, as public foreign debt went up to over 58 percent of the GDP in 2001, it became increasingly apparent that the Argentine state had become an insolvent debtor.[61] Eventually, as the so-called dot.com crisis hit the world economy, the credit crunch dried up the prospect of procuring desperately needed additional loans. This could only mean that the country had to declare default on its foreign debt, and that it ended up in a huge banking crisis, as a run on the dollar ensued to which the state responded by locking in bank deposits (a large proportion of which were denominated in US dollars).

The unfolding of this economic content, however, clashed with the general political forms that the accumulation of capital was assuming up to that point: the presidency of De La Rua as part of the Alianza coalition.[62] In a democratic context, the outbreak of the economic crisis and the associated worsening of the conditions of reproduction of the working class could only develop if the labour movement stood still in the face of the negative consequences that this process would bring, precisely at a moment when after many years of relative acquiescence, trade union struggles were showing signs of reawakening

58 Iñigo Carrera 2007c.

59 Azpiazu and Schorr 2010a.

60 Arceo et al. 2008, p. 40.

61 Iñigo Carrera 2007c. pp. 84, 292.

62 Iñigo Carrera 2006. The Alianza coalition came to power after winning the 1999 elections ahead of Duhalde's Peronist candidacy. The latter represented the sheer continuity with Menem's prior administration, whose legitimacy had dwindled in the face of widespread accusations of corruption and, more importantly, the prolonged recession dating from 1998. However, the actual programme and policies implemented by De La Rua hardly differed from Menem's, i.e. they entailed a new round of neoliberal structural adjustment.

since 1999–2000.[63] The Alianza administration, with a social base in the petty bourgeoisie and the more 'skilled' (usually non-unionised) sections of the working class, was incapable of disciplining workers and their trade union representatives and even less able to deal with the increasingly militant struggles of the organised movement of the unemployed – the *piqueteros* – that had flourished during the 1990s as a response to neoliberal structural adjustment programmes.[64] Additionally, the coalition in power, which up to that point had made a key policy of the explicit commitment to meet all its foreign debt obligations and to sustain the prevailing parity of the peso to the US dollar, was not equipped ideologically to declare the insolvency of the state that would inevitably follow suit.

These economic developments thus necessitated a transformation in the forms of general political representation of the accumulation of capital, which could only unfold through the mediation of a profound political crisis. Although on previous historical occasions capital had resolved the development of similar crises through the state's deployment of direct political coercion over, hence repression of, the working class (such as through a military dictatorship), since the 1980s the simple 'silent yoke of economic coercion' of a massive (and rapidly expanding) relative surplus population would suffice to enforce discipline on wage-workers. The unfolding of the economic crisis could therefore take place through democratic political forms. Eventually, a broad popular insurrection in December 2001, in which the petty bourgeoisie and the different sections of the working class coalesced under the slogan '*Que se vayan todos!* (Out with them all!)', forced the resignation of the incumbent president De la Rua and led to the fall of the Alianza administration two years before their term of office finished.[65] After twelve tumultuous days in late 2001, in which the country successively had four interim presidents and formally declared the default on a substantial part of its foreign debt, the Legislative Assembly eventually appointed Duhalde, the leader of the Peronist party in the province of Buenos Aires who was also a member of the Senate, as caretaker president on 1 January 2002. While assuming the presidency on the basis

63 Piva 2009; Iñigo Carrera and Cotarelo 2003.

64 See Castorina, this volume. By more skilled workers we specifically mean those doubly free individuals whose only commodity, labour-power, embodies more complex productive attributes vis-à-vis direct production (factory or industrial) workers.

65 This is only part of the story. The democratic popular insurrection was not the only form of direct action that emerged as a response to the economic crisis. In the more deprived areas of the Greater Buenos Aires, the dominant form of struggle by those poorer sections of the working class was the looting of shops (Iñigo Carrera 2006).

of a 'pro-industry' and 'anti-finance' rhetoric, Duhalde's provisional administration actually channelled the unfolding of a deep crisis that would lead to a significant scrapping of productive capital, a dramatic fall in real wages and the further expansion of un- and under-employment.

As usual, capital shoved the burden of the crisis onto the working class. As the combined rates of unemployment and underemployment reached about 50 percent in May 2002, real wages plummeted.[66] Crucial in this process was the abandonment of the Convertibility Law in early 2002, which led, in a short period after the exchange rate was allowed to float freely, to a pronounced devaluation of the national currency. From an overvaluation of almost 100 percent before the crisis, the local currency would end up experiencing an *undervaluation* of about 30 percent in 2002 (it was still around 20 percent in 2004). This strong devaluation triggered a considerable rise in the domestic prices of internationally tradable commodities (food prices rose on average 45 percent in 2002 and 17 percent in 2003), with which wages did not catch up.[67] The rate of profit in the manufacturing sector thus experienced a drastic rise during the worst part of the prolonged recession – going from a meagre 0.3 percent in 2001 to 8 percent in 2002.[68]

As a leading figure of the Peronist Party, and in contrast to De la Rua, Duhalde had a political weapon at his disposal that would, at first, allow him to navigate through those stormy economic and political circumstances, namely the control over trade unions. Duhalde was thus able to impose and maintain the needed passivity of the labour movement despite the dramatically negative consequences on the workers' conditions of reproduction that his own adjustment policies would bring about. In addition, his crisis-management strategy involved a combination of a vast extension of unemployment benefits, to alleviate the growing pauperism of the working class, with the heavy hand of repression of the more militant elements of the *piquetero* movement.[69] Thus, Duhalde's right-wing populism came to be the adequate political form to mediate the reproduction-through-crisis of the specific form taken by capital accumulation in Argentina.

However, Duhalde's tenure turned out to be shorter-lived than originally planned. As the effects of the crisis unfolded, it soon became clear that the initial alleviatory measures taken to deal with the growing poverty of the relative surplus population would turn out to be insufficient in a context of high

66 CENDA 2004.

67 Iñigo Carrera 2005, p. 102.

68 Iñigo Carrera 2007c, p. 97.

69 Svampa 2008, p. 84.

inflation and rapidly expanding unemployment. This led to an intensification of the struggle of unemployed workers but also to its repression by the state. Eventually, the assassination of two workers by the police led to a political scandal that shook the foundations of Duhalde's legitimacy. The forthcoming elections were brought forward.[70] Despite coming second in the first round, left-of-centre Peronist Néstor Kirchner was appointed as president after openly neoliberal Carlos Menem, who had been in office during 1989–99, withdrew from the second voting round in the face of a certain defeat.

Kirchner came to office in late May 2003 on the basis of an anti-neoliberal discourse that postulated a break with the Washington Consensus-style policies of the 1990s. Many critical commentators have noted the mostly rhetorical nature of that alleged break, which in practice involved a great amount of substantive continuity with the neoliberal past, both at the level of his economics (unchanged industrial structure and forms of integration into the world market) and his politics (low-intensity democracy, a strong presidentialism based on a 'decisionist' tendency to govern by decree, recourse to old-style clientelism).[71] Kirchner's adoption of a critical line on neoliberalism is seen in many of those accounts as a political and ideological strategy to co-opt and demobilise the spirit of the 2001–2 popular mobilisations, while reproducing the essence of the old politico-economic order in a superficially altered guise.[72] The success of this strategy is in turn considered as having been facilitated by a fortuitous favourable international economic context, in which rising prices of primary commodities provided the state with the resources needed to deploy this populist strategy of co-option.[73] In other words, in this view the populist turn to the left is seen as the joint product of the external relations between an abstractly self-determining political and ideological strategy and an enabling international economic context.

By contrast, we claim that Kirchner's centre-left populism should be seen as the political and ideological form assumed by the renewed expansion of the specific modality taken by accumulation in Argentina as, on the one hand, the flow of ground rent into the country started to recover and, on the other, the forced exit of the Convertibility regime led to a change in the modalities of its appropriation by industrial capital.

70 Dinerstein 2003.

71 For instance, see the analyses of Borón 2008 and Petras and Veltmeyer 2005.

72 See, for example, Svampa 2008; Zibechi 2011a; Bonnet 2007.

73 Petras and Veltmeyer 2005.

In effect, already during the election campaign, and more clearly when Kirchner started his mandate, the economy was showing signs of recovery; from the first trimester of 2003 real GDP started to grow again and unemployment was receding, standing at just below 20 percent after reaching a peak of almost 25 percent in May 2002.[74] Initially, this recovery was sustained mainly on one economic foundation: the dramatic fall of real wages that had taken place in 2002. This increased exploitation of the working class thereby translated into a greater cost-competitiveness for local individual capitals, both in domestic and foreign markets. Coupled with the effective market protection from foreign competition derived from the resulting undervalued exchange rate, domestic manufacturing production began to experience a new phase of growth. At first this took the form of a timid resuscitation of import substitution industrialisation, as productive capacity, which had remained idle during the late 1990s, became profitable in the new economic conditions. Moreover, the undervalued currency also boosted Argentine exports, which experienced a notable increase from 2003 as well, although remaining mainly of natural resource-based or agri-business origin.[75]

The devaluation of the currency did not simply boost exports, especially of primary commodities. More importantly, it removed what during the Convertibility regime had constituted a specific barrier for the extensive and intensive application of capital in the primary sector. The resulting expansion of agrarian production thus reversed the previous decline of the flow of ground rent into the national space of capital accumulation. After reaching a low point in 2002, total ground rent more than doubled a year later.[76] From then onwards, this initial expansion of the flow of ground rent further multiplied due to the recovery and later rocketing of the international prices of primary commodities and the associated expansion of production. In 2007, the mass of ground rent was more than four times greater than the rock-bottom levels of 2002. With this source of extraordinary social wealth quickly expanding, Argentina enjoyed an unprecedented period of strong economic growth. The manufacturing sector experienced a notably strong expansion as well. Unemployment thus fell below 10 percent in early 2008.[77] As a result of the consequent

74 CENDA 2004, p. 28.

75 Ibid., p. 11; Iñigo Carrera 2007c, p. 102; Azpiazu and Schorr 2010a, p. 126ff.

76 Iñigo Carrera 2008c.

77 This downward trend in the rate of unemployment has continued in more recent times, albeit at a considerably slower pace and with the proportion of those in *formal* employment virtually stagnant at approximately 35 percent since 2008. Moreover, the poor

mitigation of the disciplinary effects of the surplus population, economy-wide real wages reversed their downward path and by mid-2006 recovered to their pre-crisis levels. Nevertheless, in 2008, even after experiencing a slight growth, they were still significantly below both their historic peak of 1973–4 and the average of the expansive years of the first incarnation of the ISI in 1960–75. As in Brazil, industrial workers with formal employment contracts enjoyed a much stronger recovery in their payment conditions during this period. This was indeed needed to reproduce – however limitedly from a long-term perspective – the productive attributes of the workforce at the core of the modern ISI process after being depleted during the 1990s.[78] This recovery of employ-

economic performance during 2012 reversed the trend and unemployment started to rise again, reaching 7.9 percent in early 2013 (one percentage point above the level of late 2011). More generally, the evolution of GDP also shows a decelerating trend after 2008. Between 2003 and 2007, the average rate of growth of GDP was 9.25 percent while manufacturing value-added grew at an average rate of 8.5 percent. In the period 2008–12, GDP growth was actually slightly negative (–0.32 percent), and even more so was manufacturing value-added (–2.16 percent). Note that these latter figures, based on the value of GDP expressed in domestic currency of constant purchasing power (see footnote 33 above), contrast significantly with the more 'optimistic' measurement of the recent evolution of the Argentine economy based on the conventional method of estimation of real GDP. Thus, according to the latter method, whilst the compound annual rate of growth was 8.8 percent between 2003 and 2007, it decreased to 5.1 percent in the period 2008–12, which is substantially below the levels of the first five years, although still considerable in view of the global slowdown. As for manufacturing value-added, from a compound rate of growth of nine percent in the period 2003–7 it went down to 4.8 percent between 2008 and 2012. Thus, the widespread conventional view overstates the dynamism of the Argentine economy since 2008. Moreover, an additional comment is in order regarding these latter estimates. Official statistics on GDP growth measured in constant prices after 2007 are a contentious issue due to Nestor Kirchner's administration's political meddling in the national statistics institute (INDEC for its Spanish acronym) and subsequent 'change in the calculation method' of the consumer price index (CPI), which grossly underestimates the actual inflation rate. According to most critical commentators, due to technical issues relating to the method of estimation of GDP, the distortion of the CPI reacts on the accuracy of data on the evolution of aggregate output, overestimating its rate of growth.

78 This diverging trend continued after 2007. While the real growth of economy-wide wages stalled in the more recent period, industrial wages continued recovering. The section of the working class that has fared the worst under Kirchnerism has been that of public sector employees (even worse than those in informal employment in the private sector), whose real wages never fully recovered from their collapse during the crisis of the Convertibility regime and have been actually falling since 2009, thus largely accounting

ment and real wages in the industrial sector was considerable enough to take concrete political form through the recomposition and strengthening of the (historically Peronist) trade union movement. The latter became one of the central pillars sustaining the Kirchner administration and, therefore, of the left-populist political and ideological turn in the form of the state.

As in other South American countries, the shift to the centre-left must be seen as the political and ideological form that mediated this period of expanded accumulation of capital revolving around the appropriation of a portion of ground rent.[79] The specifically nationalistic-populist element of the Argentine case is to be found, however, in the peculiar *forms* that the transfer of ground rent to industrial capital adopted after the pronounced devaluation of the currency in 2002. Unlike the cases of, say, Chile and Uruguay, the magnitude of ground rent (coupled with stronger previous industrial development), was significant enough to make possible a revival of the ISI process. But unlike the case of Brazil discussed earlier, the prevailing modality of channelling this extraordinary mass of social wealth into the valorisation of industrial capital would involve a greater number of the policy instruments characteristic of the 'classic' populist form of the state.

In contrast to the apparently depoliticised transfer mechanisms that prevailed during the 1990s (primarily, the overvaluation of the currency), the strong devaluation of the Argentine peso meant that the channelling of ground rent into the accumulation of industrial capital could only develop through more interventionist state policies. This formed the second pillar of the left-populist transformation of the state. In particular, from 2002 onwards, export taxes were reintroduced after a decade in which they virtually disappeared as a policy instrument. Although initially set by Duhalde at a relatively low level that did not even compensate for the strong undervaluation of the currency, export taxes were gradually increased by the Kirchner administration. In the case of soya (the star export commodity), they reached 35 percent in late 2007 while the exchange rate returned to its parity.[80] Moreover, export taxes

for the stagnation of the average real wage in recent years. As of late 2012, public sector wages were 40 percent below their 2001 levels.

79 Grinberg 2010.

80 Since 2007, with an annual inflation rate consistently over 20 percent (with the exception of 2009, when the recession that hit the Argentine economy lowered it to between 15 and 18 percent) that more than compensated for the administered nominal devaluation of the exchange rate, the national currency became increasingly overvalued again. Thus, by late 2012 the Argentine peso was standing about 70 percent over its purchasing power parity. This policy-induced increasing overvaluation of the national currency has been the response of the CFK administration to the rocketing of primary commodities' prices since

were not the only classic populist policy-making instrument that reappeared. The Kirchner administration resurrected other interventionist measures that mediated the channelling of ground rent into industrial capital, among them: direct state control of domestic food prices; subsidised rates of public utilities and public transport; credit at negative interest rates; and, more generally, fiscal expansionism (e.g. through public works) riding on the general bonanza in public finances resulting from both growing revenues (themselves the upshot of unprecedented high growth rates and of new income sources for the state: the aforementioned export taxes); and a substantial reduction of the burden of debt servicing as a consequence of the restructuring of public debt defaulted on in late 2001.[81] This fiscal expansion also included measures aimed at putting a break on and mitigating (*without abolishing*) the tendency for labour-

2007. More specifically, it has been a relatively less confrontational way of mediating a larger transfer of the growing ground rent to industrial capital in the face of the government's failed attempt to pass a law that raised export taxes in 2008. The latter strategy clashed with the strong political opposition of landowners who, after five years of unprecedented prosperity, enjoyed the material base to sustain a long 'lock-out' that eventually made CFK's administration back down from its proposal to increase taxes on the export of primary commodities (Iñigo Carrera 2008c). However, the shift to currency overvaluation as an alternative modality of transferring ground rent accelerated the development of the contradictory economic foundations on which CFK's 'left populism' rested. On the one hand, it weakened the international competitiveness of domestic industrial capital, especially of those smaller firms that had resurged after the 2002 devaluation and that had been greatly contributing to the expansion of employment. The tendency for import substitution industrialisation and the associated recovery of real wages became increasingly difficult to sustain, thus progressively undermining the material basis of the political alliance that had been supporting the government (the official trade union confederation experienced a new split, as happened in the 1990s). On the other hand, the overvaluation of the domestic currency fuelled unprecedented levels of capital flight (for instance, via profit remittance) which, between 2007 and 2011, amounted to almost US$ 80 billion. In this context, compounded by a shortage of domestic fuel production which rebounded in a spiralling oil and gas import bill, typical balance of payments difficulties historically characterising ISI processes in Argentina soon started to resurface. Without access to international loans like Brazil, the government responded in 2011 with ever-stricter controls over the foreign exchange market. So far, in a context of still-high international prices of primary commodities, coupled with a relatively more overvalued Brazilian currency, the contradictions of capital accumulation in Argentina have found 'room to move' and an open economic and political crisis does not seem imminent.

81 In the first couple of years after the 2001 crisis, public finances also directly benefited from the purchase of labour-power considerably below its value. In effect, in 2002 and 2003, public sector real wages fell by 21 and seven percent, respectively; see Iñigo Carrera 2005.

power to be sold below its value. Thus, social assistance programmes greatly increased in depth and extension during the Kirchner administration.[82]

This feature of Kirchnerist populism became even more notable under the administration of his wife and successor Cristina Fernández de Kirchner (CFK) since 2007. CFK instituted far-reaching social policies among which the implementation of a universal child benefit and the re-nationalisation of the pension system stand out.[83] Although usually presented by the government and its supporters as epoch-making ruptures with the neoliberal past of the previous decade, their impact has remained rather modest. Indeed, they are an attempt to improve the conditions of reproduction of the relative surplus population (and retired workers) without uprooting its determination as superfluous vis-à-vis the specifically limited needs of the form of capital accumulation prevailing in Argentina.

A final economic foundation underlying the left-leaning populist form of the state under Kirchnerism concerns the fate of the public debt on default since 2001. Indeed, after the devaluation of the currency, public foreign debt rocketed and reached over 70 of the GDP.[84] Quite literally, foreign debt had become simply impossible to service. In these circumstances, the expanded reproduction of industrial capital in Argentina itself came to depend on a restructuring of the debt that would of necessity entail a substantive write-off. In effect, after three years of international negotiations an agreement was eventually reached in 2005, which, in what represented the greatest write-off of sovereign debt in history up to that point, took public foreign debt down to 19.2 percent of GDP.[85] But this economic content could only develop by being politically and ideologically mediated through an assertion of national autonomy by the Argentine state vis-à-vis the 'predatory' demands of global financial capital. The centre-left populist turn taken by the reproduction of ground-rent-based accumulation in Argentina thus acquired a further nationalistic edge,

82 Svampa 2008, p. 84.

83 CENDA 2010.

84 Arceo and Wainer 2008; Iñigo Carrera 2007c.

85 The write-off amounted to 65.6 percent of total capital plus overdue interests over the portion of the debt actually eligible for the swap and 46.6 percent over total public debt. On this process, see Arceo and Wainer 2008. Note, however, that the diminished burden of public foreign debt is not simply the result of the write-off but also of *dutiful repayments* after the default. Ironically, and in contrast to its neoliberal predecessor, the left-populist government is actually using the expanding ground rent to pay the foreign debt back. This move is reconciled with its nationalistic ideology by euphemistically referring to the meeting of financial obligations as a '*política de desendeudamiento*' (policy of debt reduction).

which appeared as antagonistic to the globalising interests of international financial institutions.[86]

In sum, as much as in Brazil and the rest of South America, the shift to the centre-left in Argentina has been the political and ideological expression of the reproduction of the same modality of capital accumulation that has prevailed throughout its history in a context of rapidly expanding ground rent flowing into the national space of valorisation. However, despite its apparently dramatic increase, this recovery of ground rent has been insufficient to recreate the scale of the first incarnation of ISI. The limits to this 'neo'-populist developmentalism have been of the same nature as those mentioned above regarding Brazil. The revival of industrial production has been rather narrow and shallow in Argentina as well. In fact, it has not gone far beyond a weak 'primary ISI' phase: both the sectoral composition of manufacturing GDP and the pattern of international insertion have not significantly altered in relation to the neoliberal 1990s. It has been led by a handful of branches; most of them are natural resource based. Real wages are still considerably below their 1960s–70s levels.

Conclusion: Argentina and Brazil's Shift to the Left in Comparative Perspective

Both in Argentina and Brazil there has been a resurgence of many of the classic transfer mechanisms of ground rent to industrial capital, and therefore it is possible to observe a certain revival of 'old-style' ISI state policies such as the introduction of export taxes on primary commodities, protection of domestic markets, the provision of services, industrial inputs, and credit at subsidised rates by state-owned companies and banks, etc. As a consequence, the political regime has left behind the openly neoliberal shape assumed during the 1990s and shifted to the centre-left. Yet, even if there has been an associated resurgence of domestic industrial production in both countries, the increase in ground rent to 1970s levels has taken place in a completely different context from the first incarnation of ISI between 1930 and 1975: one in which the productivity gap with world market standards that ground rent needs to cover has increased dramatically. The potentialities for this limited form of industrialisation have been therefore more modest than in the past. Although still present in the contemporary forms of the state in both Argentina and Brazil, the popu-

86 This apparent antagonism in part explains the demonisation of Kircherism by financial capital's representatives in the bourgeois media (e.g. *The Economist, Financial Times*, etc.).

list tendencies of the political regimes that have channelled the recent economic expansion have thereby been more moderate than their paradigmatic modalities during the Peron and Vargas administrations.

However, even if more timid in both countries, this revived populism has been more marked in Argentina than in Brazil. Our claim is that the reasons for this are to be found mainly in the forms of appropriation of ground rent by capital prevailing in each country in the recent past. First, whereas in Argentina the main mechanism has been taxes on commodity exports combined with subsidies of all sorts (hence a more 'interventionist' or 'politicised' form of channelling ground rent into the accumulation of industrial capital), in Brazil the main mechanism has been a strongly overvalued currency (hence, a form of transfer of ground rent that appears to occur without direct state action, but rather as the 'spontaneous' product of 'free market forces'). Moreover, the lower level of labour productivity and higher wages prevailing in the Argentine industrial sector vis-à-vis the Brazilian one have resulted in more active forms of domestic market protection in the former in order to allow the appropriation of ground rent by capital, most markedly after 2006, when Argentina's exchange rate began to become overvalued again.

Second, in Brazil the inflow of loanable fictitious capital has complemented the transfer of ground rent since at least 2005–6. Genuine cancellations of foreign debt taking place during 1999–2004 had been a condition for reestablishing the net inflow thereafter. These processes could only be realised with a more moderate type of neopopulism vis-à-vis the one prevailing in Argentina, where there has been no considerable renewed inflow of loanable capital since the default in 2001. Thus, the Lula and Dilma administrations had to maintain a more market-friendly institutional and ideological climate in order to mediate the renewed inflow into the country in the last five or six years. By contrast, the Kirchner and Fernández de Kirchner administrations not only faced objectively drier credit conditions after the default, but also had to personify the actual renegotiation of a substantial write-off of foreign public debt in order to sustain the reproduction of ground-rent-fed accumulation. The political and ideological forms of the accumulation process have therefore acquired a more pronounced nationalistic shape in Argentina (especially visible, for instance, in the tenser relationship that the Argentine government had been maintaining with international financial institutions like the IMF).

Finally, the modality of appropriation through the combination of exchange-rate overvaluation and selected market protection in Brazil has maximised the portion of ground rent appropriated by foreign capitals at the expense of the resurgence of smaller domestic capitals, crucially as it involved the multiplication of profits when remitted abroad. This form of accumulation has limited

employment creation. Real wages in Brazil have thus stagnated more than in Argentina. The mediating role of the organised working class as an active political subject in the expanded reproduction of capital has differed accordingly, with a greater political recomposition of the (traditional) trade union movement in Argentina. This trend also has contributed to the consolidation of a more moderate form of populism in Brazil.

In sum, the specific incarnations of Brazilian and Argentine left-leaning neopopulism have been the necessary political and ideological forms mediating the respective courses of the process of capital accumulation in each country, which, although sharing a common general determination in the transfer of ground rent into industrial capital, have nonetheless taken different concrete economic forms in the last decade. As we have seen, it is this divergence in the movement of the economic content of social relations that has shaped the varieties of centre-leftism prevailing in these two South American countries in the recent past.