NEOLIBERALISM AND THE INTERNATIONAL ECONOMIC CRISIS OF 2008-2009: THE BRAZILIAN AND FRENCH RESPONSE IN COMPARATIVE PERSPECTIVE[1]

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A couple of months after *Varieties of Capitalism* launch, Blyth (2003) made a vaticination:

> Perhaps it is simply a generational artifact, but every 10 years or so certain positions in the field of comparative political economy become canonical. I suspect that *The Varieties of Capitalism* (VOC) literature will do exactly this in the coming decade, framing more research projects than any order perspective, and shaping the way that an entire cohort of graduate students thinks about growth, employment and critical issues of institutional converge and divergence in a globalized economy (Blyth, 2003, p. 215).

He was completely right! I have no doubt that VoC literature is dominating the field of international political economy despite its various problems, and I will try to indicate some problems in VoC approach. Briefly.

Hall & Soskice (2001) propose a new approach to understand “the institutional similarities and differences among developed economies”. In this new approach, the firms are placed in “the center of the analysis” because they are “crucial actors in a capitalist economy. They are the key agents of adjustment in the face of technological change or international competition whose activities aggregate into overall levels of economic performance” (Hall & Soskice, 2001, p. 6).

Firms have to “develop relationships to resolve coordination problems [which are] central to their core competencies” (develop, produce, and distribute goods and service profitably) on five realms: industrial relations; vocational training and education; corporate governance; inter-firms relations; relationship whit their own

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employees (Hall & Soskice, 2001, p. 6-7). The difference among varieties of capitalism will emerge from the way firms resolve the coordination problems in those realms.

Another crucial element for the VoC approach is the institutional complementarities because “it suggests that nations with a particular type of coordination in one sphere of the economy should tend to develop complementary practices in other spheres as well” (Hall & Soskice, 2001, p.18).

The VoC approach produced two “ideal types at the poles of a spectrum along which many nations can be arrayed. In *liberal markets economies* [LME], firms coordinate their activities primarily via hierarchies and competitive market arrangements. … In *coordinated market economies* [CME], firms depend more heavily on non-market relationships to coordinate their endeavors with order actors and to construct their core competencies” (Hall & Soskice, 2001, p. 8). The American and German cases are examples of the LME and CME ideal types, respectively.

I am not going to review the critics directed to the VoC approach because VoC literature did it (Hancké et al, 2007, p. 7-8). Basically, the VoC approach was criticized for: being static and not giving importance to economic change, and its endogenous sources; being functionalist; being institutional determinist; being based on a problematic concept of the firm, and firms can be very different; having used a ad hoc theory (the empirical cases – USA and Germany – became ideal types) to create a single division of the capitalism which neglects the links of those economies with the rest of the world; giving little attention to conflict, inequalities (gender and class) and to power structures such as social classes and the State.

Hancké et al (2007) accepted three critics addressed to VoC literature related to complementarities and coordination issues. First, more attention should have been given to the elite networks and its relation to the emergence of a determinate type of coordination. In other words: Interests matter. Second, cross-class coalitions are introduced in the approach to avoid the functionalist bias (institutions are reflections of the needs of firms/system). In other words: Labor matters. Third, the State still plays a major role in economy. In other words: State matters.

There is also a recognition about the existence of a third ideal type of variety of capitalism (as was suggested by Hall & Soskice, 2001, p. 21 and Hall & Gingerich, 2004): The Mediterranean or Mixed Market Economies (MME) for France, Spain, Portugal, Greece and Turkey cases “in which the state has played a more active role, as promoter, regulator, or compensator in process of change” (Hancké et al, 2007, p. 29). In fact, in the MME type, the dominant form of coordination is mixed, where autonomous and market coordination coexists “with a higher impact of regulation and state mediation”. And the source of complementarities is the State regulatory change to correct coordination failures (Molina & Rhodes, 2007, p. 227-231).

VoC literature was criticized for being a developed economies centered approach. So VoC literature took a step toward Latin America countries marked by democratic political regime, market-oriented economy, but also high inequality and regressive social security systems. Labor market is flexible and dominated by informal sector with low skills workers. The population education is at a very low level. Corporations are local family-owned and controlled and multinationals (mostly from US). A new variety of capitalism emerged: The Hierarchical Market Capitalism (HME) in Latin America, in which “hierarchy often replaces or attenuates the coordinated or market relations found elsewhere” (Schneider & Soskice, 2009; Schneider, 2009).

I agree with Crouch (2005): The VoC approach equals ideal types and empirical types. LME and CME are not "a construction, a utopia, won by one-sided exaggeration of certain aspects of reality", but an ad hoc concept built from the observation of USA and Germany cases respectively. The concept of “institutional complementarities” owes much to Weber’s concept of “elective affinities”, but it was not fully applied leading to a functionalist approach.

This explains why a lot of countries do not fit the LME and CME ideal types: LME and CME are so identified to USA and Germany that the allegation of “hybrid” or “sub-types” variations (Hall & Soskice, 2001) is not persuasive. So, VoC has to create new “ideal” types to fit “empirical” cases. Hancké et al (2007) criticized Amable (2003) and Boyer (2005) for multiplying “the number of capitalisms in line with a large number of variables and characteristics” (Hancké et al 2007, p. 28), but VoC approach moves in this direction.

In fact, I do not think that VoC approach is superior to others typologies. Maybe it is better than Albert (1991)’s Rhenish (Continental Europe and Japan) and Anglo-Saxon models; but it is not better than Boyer (1996)’s Market, Rhenish, Social-Democratic, and Statist varieties; or Coates (2000)’s Market-led, State-led and Negotiated/Consensual capitalisms. Hopkin & Blyth (2008) sustain that Esping-

Andersen’s “three worlds of welfare capitalism” approach, i.e., Liberal, Scandinavian and Mediterranean-Statist is better if compared with the dichotomy LME and CME.

What most surprise me it is not the VoC approach fragilities in historical, methodological, and empirical levels as described by many authors, but why some of these same authors try to “fix” the VoC approach by creating your own variety of capitalism or/and an additional version of new-institutionalism. Schmidt (2003; 2007; 2008; 2009) is the most fitting example of this behavior. However, I have to recognize that VoC approach is an advanced over then prevailing Washington Consensus approach based on a single diagnostic and prognostic of reality.

I will try to construct my own approach – not as sophisticate as VoC is – but more consistent with the objectives of this paper. Even if I have agreed with Crouch’s (2005) critics to Voc approach, my starting point will not be in the field of Weberianism, but in Marxism.

I have no doubt that Marx himself was what we call today a comparative analyst by using the concept of modes of production. He has found four: Asiatic, ancient, feudal, and capitalist. Engels would add later the communist primitive mode of production. The “comparative dimensions [which] Marx did in fact use consistently [were] four: property, division of labor, state and society, and the purpose of production” (Warner, 1973, p. 63).

Past matters for Marxist approach as Marx's studies about the primitive accumulation of capital, the crises of feudal mode of production and the rise of capitalist mode of production show. Socialism is feasible because capitalism has created its own grave-diggers. Lenin apud Oliveira (1985, p, 73) emphasizes the necessity of studying the economic structure prior to capitalism. For Gramsci apud (Oliveira, 1985, p. 80), the roots of Risorgimento are in the “historical process by which the European system was changed as a whole. This process, however, is not independent from the internal successes and from the internal forces based in the Peninsula”. So, one has to pay attention to Italian history and to European history where Italy is obvious placed.

In this sense, Lenin's *Imperialism, The Highest Stage of Capitalism* (1917) investigates a new stage of capitalism – the monopolist capitalism – in contrast to the laissez-faire capitalism. In fact, “this new stage underlay the recovery [of the first Great

Depression at the end of the nineteenth century] but it had not transcended the basic Marxian dynamics of capital accumulation” (McDonough, 2007, p. 2).

Oliveira's (1985) methodology did inspire me to advance my own research: i) national economies have their own specific features so it is necessary to study the economic and social structure that precedes the period under consideration, i.e., the past is important, ii) it is necessary to take into account the current stage of global capitalism, i.e., the present is important.

To understand the current stage of global capitalism, or the current international economic order, one has to remember the main features of the previous order established at the end of the World War II. Bretton Woods is presented where a great battle took place between Keynes and White. If this is true for several issues, it cannot be sustained in relation to controls over the capital movements. Both supported that free flow of capital would undermine the interventionist policies and economic planning. They also supported only the movement of productive capital, and this movement should be controlled by the state. In fact, Bretton Woods sanctioned a restrictive order in relation to international capital movements (Helleiner, 1994).

This order was challenged in the 1970’s when interventionists’ policies were not working anymore and developed economies were experiencing stagflation. A new international economic order was forged based on free capital flows, but also on privatization, deregulation, liberalization etc.

This process changed capitalism, but to what? Globalization of Capital? *La mondialisation du capital? La mondialisation financière? La finance mondialisée? Un régime de croissance tirée par la finance [ou par la financiarisation]*? *Capitalisme financier*? Finance-Led Capitalism? Financialised Capitalism? Financialisation?

It is not in the scope of this paper discuss each of these different ways of analyzing the current capitalism and the international economic order, but the key features might be highlighted: “a) the expansion and proliferations of financial markets, financial instruments and services; b) the expansion of speculative assets at the expense of mobilising and allocating investment for real activity; c) the dominance of finance over industry; d) the redistribution of income to a class of rentiers; e) the exploiting workers through provision of financial services at abnormally high levels of banking profits” (Fine, 2009). These changes led to the emergence of a global shadow banking system which is in the core of financial crisis of 2008-2009. Brazil and France governments have to face this “stage of capitalism”.

I will choose one of the four comparative dimensions used by Marx as pointed out by Warner (1973) to compare the Brazilian and French response to the international economic crisis of 2008-2009, which is the State and Society dimension in a very specific field of State and Economy relations: the public policies in general and macroeconomic and social policies particularly.

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The title of Piettre (1947)’s book – *State-Directed Economy of Yesterday and Today: Colbertism and Dirigisme* – shows that private entrepreneurship [was] stimulated, supported and guided by the State (Piettre, 1947, p. 109). In this sense, I cannot agree with the idea that “in the field of economic activity, public intervention in France was relatively limited until the beginning of the twentieth century (Gislain, 2012, p. 2166).

What “relatively limited” means? Although “France of 1900 could be presented as the archetype of the liberal countries [because] no public entity seeks to impose on private actors its economic objectives in the medium to long term [and] the country does not even have a ministry of the national economy. However, since the late nineteenth century, the Republican state is not satisfied to use its prerogatives [only] for defense, education or access to the property. It supports the expansion of banking, railroads, steel or even electricity and protects agriculture, the main industry of the country, behind tariff barriers” (Denord, 2007, p. 11)

Anyway, there is no doubt about State intervention in economy from the beginning of the Great War. This process was deepened after the end of World War II with the emergence of the Welfare State and the nationalization of private corporations.

The high bureaucracy involved with the decision making process of economic policy post-war was formed in the most prestigious institutions such as the National School of Administration (ENA) and the Polytechnic School. These academic institutions will provide personnel for left and right governments.

Keynesian ideas fit well in the French economic policies. In other words: There was no contradiction between dirigisme and planning, the central role of investment and stimulus to aggregate demand (Rosanvallon, 1989). So, Keynesianism provided a theoretical justification for the French economic policies that were adopted.

The most acute form of dirigisme occurred during the first two years of the socialist presidency of François Mitterrand (1981-1995): creation of public employment, salary increase, reduction of working hours and retirement age, nationalization of the financial system and fusion large companies. The Miterrand's administration responded to capital flight by creating controls that latter proved ineffective and politically exhausting.

In a juncture marked by the increase of the trade deficit, the devaluation of the franc and high inflation, Mitterand's administration promoted fiscal austerity, fought against inflation and defended a strong franc, began a process of privatization and chose strengthening the ties with Europe: "With a single capital market and fixed exchange rates, there was no place in Europe for the conduct of monetary autonomous" (Abdelal, 2005, p. 104).

In this sense, "le tournant de la rigueur", i.e. the adoption of an orthodox macroeconomic policy from March 1983 is considered one of the four defining moments for the implementation of a liberal international economic order (Helleiner, 1994).

In addition, three French played a key role in the institutionalization of a neoliberal world order: Jacques Delors (President of the European Commission between 1985 and 1995), Henri Chavranski (Committee Chairman capital movements of the Organization for Economic Cooperation and Development, OECD, between 1982 and 1994) and Michel Camdessus Managing Director of the International Monetary Fund, IMF, from 1987 to 2000): “It is the 'consensus Paris' and not the Washington that is, above all, responsible for organizing financial world the way we know it today ...” (Abdelal, 2005, p. 90).

But the change in orientation would not have been realized had it not been a conversion in French academic institutions, where previously the senior officials were trained in the tradition of Keynesian thought. Besides the institutions already mentioned, the National Institute of Statistics and Economic Studies, the National School of Statistics and Administration, but also the Direction of the Forecasting were key to spread neoliberal thinking among high French bureaucracy, explaining the continuous adoption of neoliberal policies by left and right governments (Jobert &

Théret, 1994).

These economic policy guidelines became institutionalized in France and the presence of the Socialist Lionel Jospin in the office of the Prime Minister (1997-2002) under Jacques Chirac's Presidency (1995-2007) did not break with this strategy. There was a trace of continuity in macroeconomic policy between Jospin and the previous Juppé right government to the extent that Jospin deepened the liberalization of the capital account. But there were also discontinuities in social policy: Jospin's government adopted the 35-hour workweek, increased the minimum insertion income and stopped pension reform. One cannot ignore the differences between the governments of the center-left and center-right in social policy field.

In the beginning of the crises, President Sarkozy (2007-2012) gave a speech on September 2008, known as the Speech of Toulon, in which he sustained "the end of the [market] self-regulation to solve all problems. The end of laissez-fare. The end of [the idea] the market is always right. The idea of the omnipotence of the market should not be thwarted by any rule, by any political intervention was a crazy idea"[3].

Sarkozy proposed the following measures: financial system regulation, rating agency control, tax increase to finance Active Solidarity Income (RSA) and public spending reduction. In line with Merkel's government, they advocated that a new regulation of the financial system was a sine qua non condition to return confidence to the system[4]. In September 2010, Sarkozy gave a speech at UNO sustained the taxation of financial flows. In January 2012 he tried to implement this financial transaction tax in European Union with Merkel's support who agreed with its principle, but not with its form.

At the same time, Sarkozy did send a bill to the Parliament for taxing 0.1% for trade on shares and bonds and 0.01% for derivatives. The bill passed on March 2012 and limited to 0.1% on the purchase of shares of 109 companies worth more than € 1 billion traded. The Socialist government doubled for 0.2% on August 2012. Financial system regulation and rating agency control have advanced since: a single euro zone banking supervisor will be established on March 1st 2014 under the responsibility of the European Central Bank; on January 2013, the European Parliament passed a bill

[3] Available at: http://abonnes.lemonde.fr/politique/article/2008/09/25/le-discours-de-nicolas-sarkozy-a-toulon_1099795_823448.html

[4] Available at: http://www.lexpress.fr/actualite/economie/sarkozy-et-merkel-la-regulation-du-systeme-financier-c-est-non-negociable_751006.html

tightening control over rating agencies, but whose effectiveness is controversial. The European Union financial transaction tax will be introduced on January 1st 2014 for 11 countries of 27 members: France, Germany, Italy, Spain, Portugal, Austria, Belgium, Estonia, Greece, Slovakia and Slovenia agreed to tax 0.1% on bonds and shares and 0.01% on derivative products.

But when the economic crisis in Europe deepened especially after the outbreak of the Greek debt crisis, the couple Sarkozy-Merkel put their energy to sponsor a strict fiscal pact that was accepted by 25 of the 27 countries of European Union. The slogan was “cutting public spending” which had the support of the Cour des Comptes (by adopting a reducing deficit policy, France will receive a positive appreciation of the financial markets), but it was challenged by a group of heterodox economists[5]. There is no doubt of the neoliberal source of this alternative. In fact, “neoliberalism is coming out of the financial collapse politically more powerful than ever” (Crouch, 2011, p. Viii).

This alternative was countered by the candidate (and latter winner) of France presidential election, François Hollande, from the Socialist Party. In his victory speech he said: “austerity could no longer be inevitable [and] his mission will be to give a dimension of growth, employment, prosperity and future to the European integration”.

The election of François Hollande, certainly does not mean a break with neoliberal ideas, but could it represent the emergence or the expression of a new version of neoliberalism, more moderate?

President Hollande proposed during his campaign a zero deficit in 2017 and he is implementing the “golden budget rule”, according to which the structural deficit (i.e., excluded juncture events) will be restricted to 0.5% of GDP, as fixed in the treaty negotiated in January 30, 2012. The acceptance of the “golden rule” means an increase of power for the European institutions over French ones.

But in contrast his predecessor (Sarkozy) who intended to apply this limit in the Constitution, Hollande demanded the advice of the Constitutional Council, which decision was to prepare an ordinary law, since the limitation on the size of the public deficit was already foreseen in the treaties of Maastricht and Lisbon.

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[5] Avaialble at: http://www.lemonde.fr/idees/article/2012/07/18/sus-a-l-orthodoxie-budgetaire-defendue-par-la-cour-des-comptes_1735230_3232.html

Thus, despite the decision, the institutional path chosen has different implications: there is a difference between changing the Constitution (a negotiation process more difficult, but with longer lasting results in the long run) and propose a law (whose approval is more easy, but the content of the decision may be amended or repealed more easily).

However, during Socialist Party presidential primaries and latter during his presidential campaign, Hollande sustained that France would reach a 3% of GNP deficit in 2013[6]. But the publication of the Cour des Comptes Annual Public Report on February 2013 made clear that a 0.8% GNP growth and a 3% GNP deficit were unachievable. President Holland and his Prime Minister they resignedly accepted the new situation[7] and started to negotiate with the European Commission for a delay on the deficit reduction. In fact, in May 2013, the EC will awarded two years to France gets its deficit below 3% of GNP, but conditioned it to cut public spending and to the adoption of structural reforms: the pension system, labor market, liberalization of the market for goods and services[8], social benefits and unemployment insurance[9].

Paradoxically, President Hollande many times made clear in his speeches that austerity was not the response to the economic crisis, but growth. However, on November 2012, he announced: "a reform of the State, of the social protection [system] and of our territorial organization" sustaining that "we will be able to do better by spending less". It means € 60 billion during his 5 years term[10]. At the end of his first year in office, the government decided to cut 4% of the budget for 2013-2015 and an additional of € 5 billion for the 2014 budget[11]or even € 7.5 billion[12].

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[6] Available at: http://abonnes.lemonde.fr/politique/article/2013/02/14/comment-hollande-a-enterre-l-objectif-des-3_1832918_823448.html?xtmc=pib_3_deficit_publique_2013_france&xtcr=51

[7] Available at: http://abonnes.lemonde.fr/politique/article/2013/02/14/pourquoi-la-france-prefere-parler-de-deficit-structurel_1832064_823448.html

[8] Available at: http://abonnes.lemonde.fr/economie/article/2013/05/09/france-les-trois-reformes-exigees-de-bruxelles_3174114_3234.html?xtmc=apres_avoir_cree_la_surprise&xtcr=16

[9] Available at: http://abonnes.lemonde.fr/economie/article/2013/05/15/la-commission-exige-une-forte-baisse-des-depenses_3230218_3234.html?xtmc=ce_que_la_comission_europeene_attend_de_paris&xtcr=9 and http://abonnes.lemonde.fr/economie/article/2013/05/15/retraites-chomage-allocations-ce-que-veut-faire-ou-pas-l-elysee_3210906_3234.html?xtmc=deux_ans_de_delai_pour_reduire_le_deficit&xtcr=11

[10] Available at: http://abonnes.lemonde.fr/cgi-bin/ACHATS/ARCHIVES/archives.cgi?ID=195e5e2656e8d85e9026f0ed52c551e376302ea0b3a649dd

[11] Available at: http://abonnes.lemonde.fr/politique/article/2013/03/08/budget-2014-cinq-milliards-d-economies-en-plus_1845070_823448.html

[12] Available at: http://abonnes.lemonde.fr/cgi-bin/ACHATS/acheter.cgi?offre=ARCHIVES&type_item=ART_ARCH_30J&objet_id=1232060&xtmc=reduction_des_depenses_publiques_les_services_de_l_etat_sous_pression&xtcr=3

The juncture of the first half of 2013 is recession in the euro zone and zero growth in France: slowdown in wages; lower purchasing power, grower precarious work; rise of unemployment rate especially among young people[13]. President Hollande refuses to talk about austerity, but “serious policy”.

A group of 120 economists has no doubt: President Hollande continues his predecessor austerity policy[14]. The leftist newspaper Libération on February 20, 2013 put in the headline: “Left to rigor. Benefits, pensions… Nothing else is taboo for the government to limit spending face to a half-staff growth”. Another newspaper pointed out: “Promises that get way, the doubt settles. François Hollande has waived to several key commitments of his five years term”[15]: he did not nationalized Florange steel company as he promised during his campaign and he did not succeeded to create de 75% tax for the higher incomes.

“The Socialist Party is divided about economic policy”[16]. Its left wing is troubled by this policy as Arnaud Montebourg, Ministry of Productive Recovery, stated: “but the severe fiscal [policy], if it kills growth, it is not more severe. It is absurd and dangerous. It is time to open the debate on this policy [which] leads the [European] Union to a debacle”[17] and also has its own economic program[18]. But President Hollande made clear that he will not break with the budget policy[19] and his stabilization program for 2013-2017[20] is an example of this kind of policy. However, it is not very clear which public spending will be cut. Probably, because all of these political issues are highly explosive.

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One of the Great Depression effects was the adoption of an inward-oriented import substituting industrialization strategy by the Brazilian administration. The proto-

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[13] Available at: http://abonnes.lemonde.fr/emploi/article/2013/03/06/salaires-emploi-precarite-l-impact-de-la-crise_1843546_1698637.html

[14] Available at : http://abonnes.lemonde.fr/idees/article/2012/10/02/non-au-traite-budgetaire-europeen_1768787_3232.html

[15] Available at: http://abonnes.lemonde.fr/politique/article/2013/02/27/les-promesses-s-eloignent-le-doute-s-installe_1839612_823448.html

[16] Available at: http://abonnes.lemonde.fr/politique/article/2013/04/15/le-ps-divise-sur-la-politique-economique_3159671_823448.html

[17] Available at: http://abonnes.lemonde.fr/a-la-une/article/2013/04/09/arnaud-montebourg-cette-politique-d-austerite-nous-entraine-dans-une-spirale-recessive_3156411_3208.html

[18] Available at: http://abonnes.lemonde.fr/politique/article/2013/04/22/l-aile-gauche-du-ps-presente-un-contre-projet-economique_3164002_823448.html

[19] Available at: http://www.lemonde.fr/politique/article/2013/04/19/pas-de-rupture-sur-la-politique-budgetaire_3162914_823448.html

[20] Available at: http://www.economie.gouv.fr/programme-stabilite-et-programme-national-de-reforme

History of the developmentalism occurred between 1930-1945, when economic ideas based on development, protection and state intervention started to circulate among state managers, politicians and businessmen (Bielschowsky, 1988). At that time, a process of state building was going on: the economic policymaking became centralized during 1930-1945 and agencies were created for establishing general policies as regulation and control of foreign exchange and foreign trade, monetary, credit and insurance arenas. It was in this period that meritocracy system, public contest for civil service etc was also adopted by the Brazilian state (Draibe, 1985, p. 85-87).

The new international economic order established by Bretton Woods Conference was very beneficial for countries such as Brazil. A combination of exchange-rate stability and a restrictive financial order (capital controls) allowed a degree of freedom for Brazilians policymakers to use monetary and fiscal policies to pursue their own economic strategies.

After the end of World War II this strategy worked in Brazil because there were economic ideas which were already matured. The developmental ideas had a common core, a basic ground: full-industrialization; State planning; State defines which economic sectors should expand and the instruments to promote it; the State shall also order the execution of the expansion, capturing and directing financial resources and promoting direct investment in those sectors where private enterprise is insufficient" (Bielschowsky, 1988, p. 8). However, they did not form a homogeneous body and they were divided into three streams: i) the private sector; ii) the non-nationalist public sector; and iii) the nationalist public sector.

It is clear that Great Depression and World War II were crucial to break the domination of the orthodox economic ideas and policies as Keynesianism did in central economies. When Getúlio Vargas returned to power in 1951, he forged key developmental institutions: the Foreign Trade Department (CACEX) in the Bank of Brazil; the Petróleo Brasileiro S/A (PETROBRAS), but specially the National Economic Development Bank (BNDE), which became the leading funding agency for development in the long run and the bank was determinant for the success of the ambitious President Juscelino Kubitschek's Targets Plan (1956-1961), which sought to dramatically increase the production of energy, transport and basic industries sectors.

President Juscelino Kubitschek reshaped the developmentalism coalition established "between the CEPAL thought, the industrial ideas and the industrial expansion policies of Vargas' administration" (Leopoldi, 1994, p. 195) and changed the balance within the developmentalist streams to the non-nationalist public sector since the Targets Plan attracted foreign capital to the durable goods production sector.

The 1964 Coup d'État did not change the commitment to developmentalism as the State continued to expand during the military dictatorship, but this expansion occurred in new grounds created by a complex alliance between elite local capital, international capital, and State capital, which was called "the triple alliance" (Evans, 1980, p. 27). The goal of the economic policy over all the period was development. "Stabilization", "inflation" or any policy that could stop "growth" and "development" had a short live.

The failure of the heterodox stabilization plan on February 1986 (the Cruzado Plan during the democratic transition) was a decisive moment in favor of news ideas. First, the developmental ideas lost their capacity to solving economic problems because the Brazilian economy could not keep its historical growth rates and could not overcome inflation. Second, the state agencies lost their capacity to deal with inflation, i.e., when inflation began to increase dangerously, the only mechanism to inhibit it was the price freeze. Third, a new consensus and a new political coalition emerged to give political support to economic reforms.

Neoliberal ideas opposed to developmentalist ideas in Brazil. The critical juncture - the collapse of the international economic order forged at Bretton Woods and debt crisis (and development model based on import substitution industrialization) - enabled the advancement of neoliberal ideas in the new international economic order. The developmental ideas could not satisfactorily respond the new challenges; so the door was open for the reception of neoliberal ideas whose founded local support.

There was also the perception that there was no alternative for economic policies. When the debt crisis and high inflation hit Brazil, neoliberal ideas had already won hearts and minds in the core economies. In this sense, Brazil should adopt "market-oriented" reforms to solve the problem of the crisis.

It is in this juncture that President Collor de Mello's agenda - fighting inflation, government reform, privatization and opening up the economy - should be understood. This neoliberal agenda was taken up by Fernando Henrique Cardoso, who would later be elected and re-elected President (1995-2002) and his intention – as Cardoso made it clear in his farewell speech to the Senate – was “ending the Vargas Era”.

Sallum Jr. (1999) was the first to highlight the presence of two sets of economic ideas in Brazilian society during the Cardoso government. The first set was called neoliberalism (Sallum Jr., 1999, p. 33) and was dominant during Cardoso's two terms (1995-2002). The second set, not dominant in that period, it was called liberal developmentalism (Sallum Jr., 1999, p. 34-35).

Neoliberal ideas were dominant because they had immediate results in the short term (the continuity of monetary stabilization), while those related to liberal developmentalism promising results only in the medium and long term. And President Cardoso needed provide immediate results in the short term to ensure political support in the implementation of the “liberal reforms”.

The choice of neoliberal macroeconomic policy tools by President Cardoso was not due a need to deliver results in the short term, as pointed Sallum Jr. (1999). The use of this set of tools was in tune with the mainstream, which earned him support from the international financial community. In other words: for organizations based in Washington there is no place for cepalian traces present in “liberal developmentalism”.

But, a question could be raised: is the liberal developmentalism developmentalist? Indeed, liberal developmentalism and neoliberalism have different ways to achieve the same objective, namely price stability which is the main goal of macroeconomic policy. For Boito Jr. (1999), neoliberals are divided in two tendencies: 1) the extreme; and 2) the moderate. I agree with this argument, but not for the reasons given by Boito Jr.. In fact, liberal-developmentalism and neoliberalism have different means of reaching the same goal, namely price stability which is the main target to be achieved by economic policy. In other words, liberal-developmentalism is a variation of neoliberalism and it is not in opposition to it (Novelli, 2007).

The debate on the developmental ideas is taken up by Bresser Pereira (2003), probably the first to coin the phrase “new developmentalism”, which he summarized as follows: 1) it is not protectionist, but needs a competitive exchange rate; 2) the State has a key role in the regulation, to allow and encourage economic activity and market competition, but also to provide education, health, transportation and infrastructure, but it should not be a producer; 3) there is industrial policy, but not protectionism; 4) it is fiscally responsible and does not allow chronic deficits, and 5) it does not allow inflation (Bresser Pereira, 2009). In addition, the Brazilian economy - without neglecting the domestic market - should be directed to the export market as did the Asian countries (Bresser Pereira, 2012).

Guido Mantega, finance minister since 2006, believes that Brazil introduced a new model, a “third way”, called “social developmentalism”, which means balanced growth (with inflation, public deficit and external debt controlled), with social inclusion and the reduction of regional inequalities. This growth is led by the expansion of the internal market and the State has an important role in planning, identification of strategic sectors and the creation of rules to facilitate the private sector action (Mantega, 2007).

In this version, developmentalism is economic growth with social policies. This result is obtained through the “investment of state productive sector, including pension funds sponsored by state enterprises, and public spending set out in the budget” (Costa, 2012a). Unlike the new developmentalism, “the social-developmental choose to defend the internal market. They think that it is more realistic to continue promoting growth ‘hacia adentro’ and export of commodities, to obtain capacity to import machinery and equipment with advanced technology, instead of dreaming about the import of the ‘hacia fuera’ Asian model of industrial growth, having not financial or technological autonomy” (Costa, 2012b).

For new-developmentalists control of prices is crucial. The social-developmentalists do not make clear what should be the main objective of macroeconomic policy: economic growth (with social development) or price stability. The question is whether a higher rate of inflation would be acceptable with a higher GDP growth.

Clearly, the second Lula term has adopted policies inspired by social developmentalism as the interruption of privatization, the investments in the Growth Acceleration Program (PAC), the changing role of the Economic Development Bank (BNDES) to finance long-term the Brazilian economy and the internationalization of Brazilian companies, the return of planning and the reconstruction of the Federal Bureaucracy, the expansion of social policies, bank credit and public universities.

However, it seems premature to sustain the argument that public policy above point to a “post-neoliberalism” and the resurgence of a neo-developmentalist strategy due to the existence of an institutional legacy Vargas (“a prior trajectory prior”), as claim Diniz & Boschi (2007) and Boschi (2011).

Unlike Diniz & Boschi (2007) and Boschi (2011), the “prior history” proposed in this paper takes into account the neoliberal institutional legacy. In other words, Lula and Rousseff administrations are linked to neoliberal institutions. How explain the change in GDP of 7.5% (2010) to 2.7% (2011) and to 0.9% (2012)? The Rousseff’s administration took measures such as increasing the fiscal surplus of 2.7% of GDP (2010) to 3.1% of GDP (2011) and to 2.4% of GDP (2012) to keep the annualized inflation rate within the upper band (6.5%). Rousseff’s administration has shown great concern for public spending assuming the discourse of “fiscal austerity”. The idea was allow a consistent fall of the interest rate and it seemed it was working because interest rate fell from 12.50% a.a. (July 2011) to 7.25% a.a. (October 2012). However interest rate started to raise again on april and it is now at 8% a.a. (May 2013) with inflation rate within the upper band (6.5%). Thus, there is no doubt that Lula and Rousseff administrations favored price stability in last instance: GDP growth is subordinated to the inflation rate.

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Past and present are important for analyzing Brazilian and French response to the international economic crisis of 2008-2009 from the State and Society dimension in the field of State and Economy relations.

In France the clash between past and present is presented as a dispute between social policy and economic policy. France has relatively preserved its Welfare State, but the pressures to reform it – coming from the European commission – in a juncture of lack of monetary sovereignty (which is in the ECB) and a diminishing autonomy of fiscal policy conduction reduces the scope of President Hollande. I do not think that economic policy is very different from its predecessor. However President Hollande gave some signs that his administration policies would be different, for instance, the break with the policy of recruiting only one public employee over two retired which generated a reduction of 150,000 public jobs over the 2002-2007 period. In a situation of zero growth and forced to cut public spending will he be able to continue with this kind of policy? So, it is early to say whether Hollande’s administration will be an example of a moderate or extreme version of neoliberalism.

In Brazil, the rise of the interest rates in May 2013 indicates that the analysis that supported a post-neoliberal age may have precipitated. These analyzes focused on the weight of the developmentalist past, but reduced the weight of the neoliberal present. I have no doubt that all versions of neo-developmentism express at least a moderate version of neoliberalism and they did give the ideological and the technical support for the adoption of some heterodox measures to fight against economic crisis. Rousseff's administration seemed to have overcome the disconnection (or even contradictory) policies undertaken by the Ministry of Finance and by the Central Bank, which had prevailed during the Lula's administration. It seems that neo-developmentalist ideas were not strong enough to change neoliberal present and/or the interests linked to the extreme neoliberalism were able to rearticulate after the most critical phase of the crisis has passed.

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