Varieties of Neoliberalism in Latin America

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Abstract:

Increasing global integration in the era of globalization creates intriguing puzzles for scholars of economic development. In this paper I specifically examine neoliberal development pathways challenging approaches that classify broad trajectories of development in Latin America. Using a path dependency framework I argue for a diversity of development trajectories afforded by neoliberal reform caused by unique responses in Argentina, Brazil, Chile, and Mexico to three critical junctures: (a) the recovery from the debt crisis and hyperinflation periods (b) recovery from financial crisis beginning in 1994-95 with the Mexican *tequila* crisis, and (c) the new opportunities brought by globalization with the commodity boom in the 2000s.

Increasing global integration creates intriguing puzzles for those studying development and the influence of globalization on development. For example, examination of alternatives to or deviations from classical neoliberal approaches in light of globalization, especially in developing countries, provides a variety of concepts to unpack more closely. Specifically, examination of economic development in Latin America since 1990 indicates that neoliberal reform does not transform the economy of a country so that it follows perfectly along a desired development path according to "cookie cutter" policy prescriptions. Several scholars have recognized these deviations and now are attempting to understand patterns in what causes different development pathways within Latin American and globally.

In the Latin American political economy literature, many scholars tend to focus on just one or two policy areas when examining neoliberal reform, and lump countries into categories based on a relatively small set of policies. For instance, in their article "Embedding Neoliberal Reform in Latin America", Marcus Kurtz and Sarah Brooks lump countries into two neoliberal reform categories (Kurtz and Brooks, 2008); countries that engage in orthodox neoliberalism and those that engage in embedded neoliberalism. Ben Ross Schneider believes that Latin American economies can be classified into one variety of capitalism that he defines as Hierarchical Market Economies (HMEs) (Schneider, 2009). However, taking a broader view of the entire array of policy tools within the neoliberal policy reform agenda provides a more sophisticated analysis, similar to the original attempt John Williamson made with the initial "Washington Consensus." A closer examination of the development experiences of the four major Latin American economies Argentina, Brazil, Chile, and Mexico after 1990 demonstrates that no one model can fully capture the diversity of policy choices available within the realm of neoliberal reform.

In this paper I will examine the development trajectories of Argentina, Brazil, Chile, and

Mexico from 1990 to 2008, using important indicators of policy, performance, and conditions to analyze the unique reform experiences of these countries. Using a path dependency framework (Pierson, 2000), I argue that the diversity across pathways of neoliberal reform and performance can be attributed to the variety of choices these states made at three critical junctures (a) the recovery from the debt crisis and hyperinflation periods (b) recovery from financial crisis beginning in 1994-95 with the Mexican *tequila* crisis, and (c) the new opportunities brought by globalization with the commodity boom in the 2000s. The decisions made by governments at these critical junctures, particularly after the debt crisis, shaped the different neoliberal development trajectories of each country.

In Argentina, the government of Carlos Menem dismantled the state economic development apparatus through orthodox neoliberal policy, which influenced the policies taken throughout this period. In contrast to the Argentine experience, Brazil kept the state active in its economic development even within the era of more neoliberal reform, as evidenced by government expenditures, bureaucratic involvement, and performance on reform indices. This "inertial statism" continues to shape Brazilian economic development. In Chile, an economy that some scholars have characterized as the "free market miracle," I argue actually has been fueled by export-oriented growth stemming from state involvement in promoting non-traditional exports and creating further opportunities during the commodity boom. Support for this argument comes from export promotion agencies and the growth of nontraditional exports in the late 80s and early 90s. Finally, economic development in Mexico can be explained as a path of orthodox policy linked to the economy and policies of the United States.

The indicators that I believe best explain the diversity of decisions made by these four countries in each critical juncture are government expenditures, exchange rate regimes, GDP

growth, inflation, FDI inflows, export composition and promotion programs, and the reform indices of Morley, Machado, and Pettinato (1999). Government expenditures paint a picture of government involvement in the economy throughout the time period in question. Brazil, whose pathway included much more state involvement, demonstrates much higher levels of government expenditures than the more orthodox approaches of Argentina and Mexico. Comparison of exchange rate regimes can help us understand the macroeconomic policies taken by each country at each critical juncture. For instance, Argentina's currency board signified the government's commitment to non-involvement in the economy, while Chile's experience with devaluation in response to the debt crisis helps us take a closer look at their export growth. An examination of GDP growth is essential for understanding periods of crisis in each economy. Inflation is particularly important to my analysis, as responses to hyperinflation were some of the main catalysts of neoliberal reform in the late 80s and early 90s, shaping the Argentine Convertibility Plan and numerous Brazilian attempts at stabilization, concluding with the Real Plan. The FDI inflows for each country provide an indicator for foreign perceptions of the economy and its prospects for growth that also helps us understand periods of crisis in the economy. For example, FDI inflows have been largest in Chile, the country that has experienced the least amount of volatility in this period. Export composition and promotion programs are crucial for examining the development approaches of each country as they point to the growth mechanisms of each distinct pathway. Are nontraditional exports being promoted as in Chile or Brazil? was the industrial policy dismantled in the early 1990s as in Argentina, or have exports grown in response to free trade arrangements signed, as in Mexico? Finally, the reform indices provide another tool for analyzing the level of neoliberal reform taken by each country.

Point of Departure

This work begins with a definition of neoliberal reform, an important aspect of any study on the subject. My fundamental understanding of the topic comes from the work of Robert Wade and Dani Rodrik, who provide a framework for understanding the diversity of policy options within reform. Furthermore, they provide an approach that is not allied with any specific policy prescription. This approach helps explain the different development strategies undertaken in each period of crisis. Next, unpacking the arguments of scholars who try and divide countries along one or two trajectory pathways illuminates attempts at understanding deviations from the Washington Consensus. Finally, looking at arguments that examine causal patterns of reform and development provides insight into possible motivation for particular unique pathways.

Modern Neoliberal Approaches

Conventional modern development policies tend to focus on neoclassical economic functions of the government. Robert Wade, in *Governing the Market,* provides a list of what comprises the neoclassical view, as many technocrats within the World Bank and International Monetary Fund define it. According to Wade, neoclassical theory believes that government should: (1) maintain macroeconomic stability, (2) provide physical infrastructure, especially that which has high fixed costs in relation to variable costs, such as harbors, railways irrigation canals, and sewers, (3) supply "public goods" (including defense and national security, education, basic research, market information, the legal system, and environmental protection), (4) contribute to the development of institutions for improving the markets for labor, finance, technology etc., (5) offset or eliminate price distortions which arise in cases of demonstrable market failure, and (6) redistribute income to the poorest in sufficient measure for them to meet

basic needs (Wade, 1990). This list can be expanded upon more explicitly to create the Washington Consensus, but Wade's list more generally highlights the breadth of neoliberal policy. Implementation of the six points above can be accomplished in many ways, depending on the exact situation of a country and each point may be interpreted differently given a country's history and institutional makeup. Thus, the policy leeway afforded to developing countries in the realm of economic development is much more flexible than many perceive, allowing for development approaches that vary distinctly across time and space.

Dani Rodrik builds on this type of framework in his book *One Economics, Many Recipes*, which assesses neoliberal reforms in the era of globalization and provides much of the inspiration for this work. Rodrik emphasizes a close examination of the empirical evidence along with an understanding that the variety of experiences with growth have occurred in an era of drastically increasing globalization forces, pointing to the importance of national policy making (Rodrik, 2007). Rodrik also highlights the difficulty of placing neoliberal economic growth-promoting rules into a basic set of policy prescriptions. Rodrik writes, "Economics is full of big ideas on the importance of incentives, markets, budget constraints, and property rights. It offers powerful ways of analyzing the allocative and distributional consequences of proposed policy changes. The key is to realize that these principles do not translate directly into specific policy recommendations," (Rodrik, 2007: 55). The big ideas of political economy are extremely important, but when they are placed in a country-specific context, the domestic institutions and unique history of that country create a crucial element of the economic development process.

Michael Walton provides another important perspective for analyzing neoliberal development. Walton makes a crucial point in that neoliberal reform can be understood or conceptualized in a variety of ways. Walton writes, "There are at least two ways in which

neoliberalism is commonly used: a narrow usage that refers to a shift in a subset of policies to a greater reliance on markets; and a broader usage, that implies a wholesale change in the relationship between the state and the society with a more vigorous embrace of the market being part of a generalized withdrawal of state provisioning and action," (Walton, 2004: 165). The shift to a greater reliance on markets as the focal point of neoliberal reform is a key premise for this paper. As the Wade and Rodrik arguments point out, reliance on markets can have a very wide range of interpretation for policy prescriptions. The breadth of options available to policy makers within market-based reform is an important perspective to help frame this examination of the diversity of policy choices within neoliberal reform. Walton argues that the narrow usage of the term is much more relevant to examine the modern neoliberal development period, and that the broader concept does not accurately depict Latin American neoliberal reform. Walton encourages understanding both the institutional and socio-political context within each development pathway in order to best analyze neoliberal reform. When analyzing the diversity of choices in Latin America I find the narrow approach to be essential to understanding policy choices and pathways.

Broad Trajectory Classifications in Neoliberal Reform

The concept of embedded neoliberalism is one approach used to classify development trajectories. The main concept within the idea of embedded neoliberalism that helps frame my study is one that I have already touched upon briefly; that of leeway for policy makers. While the developing world is constrained in some ways to facilitate development through broad counter-cyclical consumption-smoothing policies, à la Keynes, there are a variety of options on the supply side (Kurtz and Brooks, 2008). For example, through export-oriented development and

industrial policies, governments can help make domestic industries more competitive internationally by dealing with inefficiencies in the domestic market (i.e. lack of credit due to weak financial development) (Schrank and Kurtz, 2006). The logic of embedded neoliberalism is useful when understanding the cases of perhaps Chile or Brazil, but a country like Argentina that should fit Kurtz and Brooks' model of embedded neoliberalism and does not weakens the application of their logic when a closer lens is placed on the region.

Ben Ross Schneider provides another similar analysis with regards to development trajectories building on the political economy history of varieties of capitalism. Schneider argues that one general variety of capitalism effectively describes Latin American capitalism that he calls Hierarchical Market Economies (HMEs) HMEs are characterized by diversified business groups, multinational corporations, low skilled labor, and atomistic labor relations (Schneider, 2009). These four characteristics, Schneider argues, demonstrate how hierarchy replaces the way either coordinated or market-oriented relations shape development elsewhere. However, I contest that such singular characterization of development models in Latin America does not substantially explain the many variations in development trajectories within the region.

Methods

The cases examined in this study are Argentina, Brazil, Chile, and Mexico. These countries constitute the four largest economies in Latin America. They provide a diversity of experiences to assess the variety of pathways of reform.. Using a path-dependency framework (Pierson, 2000), I argue that the diversity across pathways of neoliberal reform and performance can be attributed to the variety of choices these states made at three critical junctures: (a) the recovery from the debt crisis and hyperinflation periods, (b) recovery from financial crisis

beginning in 1994-95 with the Mexican *tequila* crisis, and (c) the new opportunities brought by globalization with the commodity boom in the 2000s. In each country I examine the distinct decisions regarding policy reform at each critical juncture, analyzing how institutional legacies of economic reform shape the unique trajectories embraced by each country.

The dependent variables in this study are the characteristics of neoliberal reform pathways of each country, while the independent variables are the economic indicators that reflect influences that led each country to choose a certain array of development policies at each critical juncture. These variables are: government expenditures, particular exchange rate regimes, GDP growth, inflation rates, FDI inflows, export promotion and industrial policy programs, and the general reform indices of Morley et al. (1999). The variation among these variables between cases and over time helps us understand both the particular situations of each country reflected by inflation rates, GDP growth, and FDI inflows and the decisions made in response to each situation seen in government expenditures, exchange rate regimes, export composition and promotions programs, and the general reform index. I compare and contrast these indicators from 1990 to 2007-2008, in order to demonstrate the diversity of policy options and trajectories available even in the era of globalization.

Argentina: From Eviscerated Statism To Export-Oriented Populism

Argentina's response to the critical junctures, most importantly the debt crisis, has involved removal of the state from development until recently with the explosion of soy beans and backlash from the 2001 financial crisis. Coming out of the debt crisis and hyperinflationary experience, the Menem government reduced the role of the state, took apart industrial policy, and limited the possibilities for future development models. The substantial financial crisis of 2001

coupled with the commodity boom (i.e., the huge demand for soy beans) created new opportunities for development at these critical junctures. The Menem reforms prevented the development of a more state-led development model; export-oriented populism is a better description of the current economic policy in Argentina. Figure 1 provides a visual representation of the development path taken by Argentina that helps frame further examination of Argentina's experience.

The experience of neoliberal economic reform and development in Argentina reveals important differences when contrasted with that of Brazil, Chile, and Mexico. The state's role throughout the 1990s was perceived quite differently, creating another approach and path towards development. The periods of neoliberal reform during the authoritarian regime, and especially the government and reforms of Carlos Menem created policies that undermined the possibility of embedded neoliberalism. Menem completely reversed the development philosophy of the PJ, eliminating the state-led development model of historical Peronism (Packenham, 1992). The Menem reforms drastically reduced the state's role in the economy and effectively hampered the development of any sort of embedded neoliberal policy in the future. Not only was the Ministry of the Economy first handed over to the nation's only multinational firm, it eventually ended up in the hands of a neoliberal technocrat, Domingo Cavallo. Key policy-making institutions, including the Central Bank, were assigned to neoliberal technocrats (Gibson, 1997). The role of the state was significantly diminished during these periods. The economic bureaucracy, state enterprise, and industrial policy were all dismantled during neoliberal reform periods.

The government of Carlos Menem inherited an economy in crisis from Raul Alfonsín. Menem completely turned Peronism on its head, and chose to live or die by market-oriented

policies attempting to reduce hyperinflation and considerable domestic hardship. Menem's head of the Ministry of Labor described the *menemista* plan in this way, "Nothing of what is coming in Argentina can be understood unless we realize that a new bloc of social, political, economic and perhaps military power is being born, and that [the new Menem government] is ready to take all necessary steps to cut in one swath all the evils of the crisis and begin the task of the reconstruction of Argentine Capitalism," (Smith, 1992: 41). The first round of reforms cancelled all subsidies under the industrial promotion program along with all other benefits and tax exemptions for the private sector. These first policies were just the beginning of an assault on the state and a lengthy and difficult period of stabilization plans, eventually culminating in the convertibility plan to deal with hyperinflation. The preliminary success of the Cavallo plan gave Menem support, leading to even more market-oriented reform. By executive decree, Menem dismantled the legal apparatus of state regulation of the economy (Smith, 1992). In contrast with the privatization and neoliberal reform period in Brazil, Menem attacked the role of the state in the economy directly rather than implementing changes that would make the state more efficient and effective in aiding domestic competitiveness.

Examination of the independent variables I have identified as characterizing development pathways provides further support for my classification of Argentina as partaking in what I define as *eviscerated statism*. Government expenditures as a percent of GDP in Argentina are substantially lower than that of Chile and Brazil, economies that have partaken in more state-oriented models. As shown in Table 1, average government expenditures from 1990-2001 in Argentina were 16.06 percent of GDP while in Brazil in Chile the percentages were 31.48 and 21.19. The general reform index indicates that in this period Argentina was engaging in substantial reform higher than that of Chile, Brazil, and even Mexico. As mentioned briefly in

the section above, the response to hyperinflation by the Menem government played a significant role in economic development throughout the 1990s. Inflation in 1990 was at 2313.96 percent. In response, the finance minister placed Argentina on a currency board regime in order to create credibility for the Argentine government. By removing the exchange rate as a policy tool, the government was essentially attempting to prove to investors a change in economic policy (Rodrik, 2007: 41). Once inflation was taken care of, growth was significant and (excluding 1995 because of the *tequila* crisis) Argentina grew at a good rate throughout the 1990s see Table 1. However, the 1997-98 financial crisis in Asia and the 1999 Brazilian devaluation caused a financial crisis in Argentina that pushed Argentina off the currency board and ultimately marked the end of the staunchest neoliberal reforms.

Eviscerated statism helps define the experience of Argentina through the 1990s until the election of Nestor Kirschner. The rise of Chinese demand for soybeans to feed its massive population, along with the commodity boom of the recent time period, created more opportunity for leaders. Kirschner, as Neil Richardson argues, has engaged in export-oriented populism. The country has shifted away somewhat from the strong market-oriented approach of the 1990s and used export taxes on soybeans to generate money for more populist policies (Richardson, 2009). The effects of this can be seen in the rise of exports since 2003 the year of Kirschner's election and the lowering in the general reform index. Ultimately, the actions of Argentina at first in the wake of the debt crisis and hyperinflation highlights the diversity of options available to policy makers, the response to the commodity boom demonstrates the importance of exports in recent years throughout the region, and the institutional legacies that shape this development trajectory point to the influence of past reform.

Brazil: Inertial Statism

Examining the Brazilian experience, particularly in contrast to Argentina, provides further evidence for the causal influence of decisions made at each critical juncture (see Figure 2). Brazil's response to the debt crisis and hyperinflation involves much more state involvement, demonstrated by the role bureaucracy and development banks have played within economic reforms. Recovery from financial crisis and the new opportunities provided by the commodity boom are marked by further neoliberal reform, export growth, and foreign investment. Examining these critical junctures more closely supports a model I characterize as inertial statism.

The history, role, and nature of the economic bureaucracy in Brazil are crucial links in understanding the state-societal relationships that shape neoliberal economic policy in each of these periods. The Brazilian economic bureaucracy has played a substantial role in the development of the country throughout the industrialization process and has persisted even in the face of neoliberal reform. Brazilian industry has been deliberately shaped and consciously planned by the state. Furthermore, the economic bureaucracy is a crucial actor in the planning and implementation of state-led development (Schneider, 1991).

Even during periods of neoliberal reform in Brazil, such as the privatization of steel companies, the state was not eliminated from the picture. This supports the argument that the continuation of the state involvement in development and effectiveness of the bureaucracy play a major role in neoliberal policy influenced by inertial statism. The privatization of steel in Brazil signifies a shift from straight up state-led development towards an embedded neoliberal development model. Unlike the policies of the Menem government in Argentina, the reforms of the Collor government carried the intention of empowering the state, similar to the development

of automobiles discussed above (Montero, 1998: 33). While during the neoliberal reform periods of other Latin American countries private interests were often seen to play a motivating role, reform in Brazil was carried out through a different method. The Collor administration "disdained the other side of embedded autonomy, evincing a 'liberal aversion to organized capitalism' and taking pride in 'verbal abuse of business leaders," (Evans, 1995: 64). The state's continued role throughout the era of neoliberal reform points to the accuracy of inertial statism as a way of understanding Brazil's development.

Going back to our initial point of departure, that of the 1990s and the decisions made in wake of the debt crisis and hyperinflation, Brazil faced troubles similar to Argentina. In contrast to Argentina, Brazil was unable to stabilize the economy until 1994 with the Real Plan, as exemplified by dramatic shifts in inflation and exchange rate (Table 2). Part of this instability can be attributed to the involvement of the state with the economy. A number of groups in Brazil actually benefited from the inflationary policies: state employees and pensioners, politicians seeking reelection, state governors who were seeking bailouts for their states, and big business not wanting to deal with the high interest rates needed to halt inflation (Treisman, 2004). The embeddedness of the state in the Brazilian economy created a different experience for the government in responding to hyperinflation. The most substantial attack at reducing the inflationary pressures of the state was arguably implemented by Collor. Collor froze the country's savings for eighteen months, raised taxes, reduced protection of trade, cancelled federal debt, fired 360,000 federal employees, and tried to recentralized federal revenues (Treisman, 2004: 407). We can see the effects of this on the reduction in government expenditures in 1991 and 1992 from 33.56 percent to 24 and 29 percent respectively.

Cardoso implemented a much less substantial fiscal adjustment and strict monetary

arrangement, but I think this speaks to the legacy of the state in Brazil. In order to put in place an effective stabilization plan, the state needed to be included as opposed to Collor's attempt at attacking multiple inflationary pressures within the state at once. Public sector employees were appeased with higher salaries, but many of their employers were privatized. Cardoso negotiated with the state governors by providing financial benefits in the form of emergency funds for the failing state banks in exchange for restructuring. Exporters and import-competing industries stood to lose a lot from the high interest rates needed to curb inflation. Cardoso compromised by lowering export taxes and providing credit lines through the National Development Bank, another demonstration of the use of the state in the reform process (Treisman, 2004).

Brazil's performance on the indicators provides support for the characterization of the inertial statist development trajectory. Brazil's government expenditures as a percent of GDP are much higher than the other three cases. More evidence for this argument comes from the general reform index remaining below that of the models leaning more on state dismantling policies. The state's role has certainly been diminished since the 1990s and the 90s were not all smooth sailing for the Brazilian economy. The financial crises in the second half of the 90s affected growth rates and caused currency devaluation in 1999 but because of the size of the economy and the continued influx of foreign capital (FDI inflows reached 5.1 percent of GDP in 2000) the crisis was less damaging than in other countries such as Mexico. The commodity boom has substantially benefited Brazil as well, as exports have increased similarly to Argentina, Chile, and Mexico. Throughout the 1990s, Brazil engaged in neoliberal reform and reduced the role of the state substantially compared to its past legacy of advanced import substitution industrialization. However, the state continues to play a role in development. While similarly to Argentina, Chile, and Mexico the commodity boom has benefited the economy, creating some

semblance of convergence, the nuanced difference in policies the country made throughout the 90s supports the argument of diversity in neoliberalism.

Chile: Strategic Trade and Export Promotion

The Chilean response to the three critical junctures demonstrates some similarities to but also important differences between the cases of Argentina, Brazil, and Mexico (Figure 3). Chile pursued the development of nontraditional exports coming out of the debt crisis, establishing the role of exports in promoting growth throughout the entire period of analysis. Export-oriented growth has led the way in the wake of the residual effects of the debt crisis and has been further solidified by the commodity boom. The decisions made by the government in creating a more pragmatic neoliberal model continue to shape the Chilean economy.

Chile is the only country that did not experience a substantial financial crisis in the time period in question, but it did feel the residual effects of the financial crisis throughout the decade and experienced a deep recession coming out the debt crisis. Inflation remained a problem into the 1990s, and growth was affected by regional problems associated with financial problems in 1998/1999 in Asia. The Pinochet government enacted quite radical neoliberal reform much earlier than the three other countries, even earlier than Mexico, one of the early neoliberal reformers. By the 1990s macroeconomic policy was much more stable than that of other countries in the region, helping to facilitate substantial growth throughout the region in question (Macario, 1997). In Table 3, the summary table for Chile, one can see that the growth rates in this time period are impressive, with average yearly growth around 7 percent in the 90s. Also, even with capital controls (a policy often frowned upon in the era of globalization) Chile has been able to secure FDI inflows throughout the past two decades, signifying the strength of

Chile's growth and devotion to longer avenues of growth, especially in regards to the lower inflows of portfolio investment throughout the same time period.

Explaining the experience of Chile in the 1990s and 2000s requires an examination of the shifts in neoliberal policy coming out of the debt crisis and into the 1990s. Export promotion has been a key component of Chile's economic policy since the debt crisis, and has played a substantial role in creating growth throughout the economy, shaping their development path since 1990. Exports as a percent of GDP in Chile are significantly higher than Argentina, Brazil, and Mexico before NAFTA. A contributing factor in the growth of exports was the devaluation of the exchange rate entering the 1990s (Paus, 1994). Devaluation however, cannot fully explain the development of exports in the Chilean economy. While many people characterize Chile as a "free market miracle" owing to the orthodox neoliberal policies pursued by the Pinochet regime, the success of the export-oriented model can be attributed to policies pursued by the state (Kurtz, 2001). After the debt crisis, a much more pragmatic neoliberal development model was developed. The pragmatic development model placed a central focus on export promotion and privatization. These policies, involving promotion of nontraditional exports and more privatization combined with an approach towards market reform that is much more flexible than the more radical monetarism of the past, helped set the stage for growth and macroeconomic stability into the 1990s and 2000s (Silva, 1996).

The evidence for the success of state-pursued policies in Chile with regards to export promotion comes from an examination of the sectoral composition of exports. The most successful sectors of nontraditional exports coming out of the debt crisis include the fishing and forestry industries. Forestry and fishing products in Chile were one of the few sectors receiving state subsidies and promotion in the time of liberalization, pointing to the states role in the

success of these industries (Kurtz, 2001). Policies that facilitate this development model include compensation for anti export bias, export subsidies, tax refunds, and export financing. A study on fish processing entrepreneurs reported that half of the seafood processing firms received credit from either the Inter American Development Bank or the Chilean Development Corporation (Schurman, 1996). The institutional support for this trajectory comes from agencies like ProChile providing information on export policies and working closely with the private sector in Chile. Much of the work lies in export diversification as an attempt to export in non-traditional areas of production (Macario, 1997). Non-traditional export diversification has continued into the 1990s and 2000s, demonstrating the commitment towards export-oriented growth and the continued influence of decisions made coming out of the debt crisis. The number of exported products has increased from 2796 in 1990 to 3749 in 2000 while the number of exporting firms has grown from 4125 in 1990 to 6009 in 2000 (Herzer and Nowak-Lehnmann, 2006).

Growth in the 2000s has continued, exhibiting similar behavior with the other Latin American countries which have all shown growth in exports in response to the commodity boom (see Table 3). Chile's commitment to export promotion and strategic trade has been a trademark of the country's modern development pathway. The decisions made by the government with regards to the state's role in the economy placed the country on a distinct development pathway. The successful growth throughout the past two decades (excluding the one year of negative growth after the Asian financial crisis and Brazilian devaluation) demonstrates the implications of Chile's response to the debt crisis, survival of financial instability in the region, and approach to the commodity boom. However, questions regarding the success of export-oriented growth with regards to poverty alleviation and improvements in inequality remain. Interaction with

capitalists and the government has played a substantial role in shaping the economic development pathway, which has created some bias towards a much more liberal state with regards to social policy. These interactions and relationships raise questions about the effects of neoliberal reform on society.

Mexico: Market Reform Linked to the United States

The recent economic history of Mexico reveals another approach towards development seen through its responses to the critical junctures (see Figure 4). Mexico's reaction to the debt crisis involved support for neoliberal reform policies that increased reliance upon and connections with the United States. Mexican state support for the North American Trade Agreement, a fixed exchanged rate, and financial deregulation all increased the influence of the United States. These reforms set the state for financial crisis in 1994-95, resulting in further neoliberal reform and reliance upon the United States demand for exports. Finally the commodity boom has prevented some opportunities to Mexico but business cycle effects from the US economy due to the recession in 2001 and the emergence of China have prevented significant growth.

Mexico has similarities to the other countries in this study with regards to neoliberal economic adjustment policies, but there is one big factor that plays a substantial role in the Mexican case, that of proximity and connections to the United States. Mexico engaged in widespread neoliberal reforms throughout the 80s during the presidency of Miguel De la Madrid and continuing to the Presidency of Carlos Salinas de Gortari. The decisions regarding reform early in the 1990s in response to the debt crisis helped to increase the dependence of Mexico on the United States, shaping the opportunities for growth throughout the next two decades.

The economic policy of Salinas de Gortari was marked by attempts to stabilize the economy. Inflation was a lingering problem throughout this period with inflation at 22% in 1991 and at 15% in 1992 (see Table 4). Gortari's economic policies included reducing inflationary pressures through fiscal restraint and trade liberalization with a stable peso (Pastor and Wise, 1997). The lower levels of government expenditures in this period demonstrate this further, as shown through the data in Table 4. The particular exchange rate regime was a fixed exchange rate, part of the stabilization pact made by the Salinas government. While initially helping to reduce inflation, the fixed exchange rate eventually led to an overvalued peso. These reforms strongly influenced the Mexican development experience throughout the 90s. The overvalued peso and liberalization of trade led to a trade deficit that was heavily financed by mobile portfolio investment, which can be dangerous when combined with financial market deregulation. The decisions made by the Salinas government also created a lot of reliance on the United States, as the Mexican state had a great deal of influence on supporting the North American Free Trade Agreement (NAFTA). The Mexican state worked closely with private sector associations to build powerful support for NAFTA that would contribute significant dollars to lobbies in both the United States and Mexico (Cox, 2008).

After NAFTA was signed exports boomed, especially manufactured goods from the in-bond (*maquila)* sector of the economy. In 1995, exports from the *maquila* processing zones composed 39.2% of Mexican exports most of these going to the United States (Macario, 1997). Mexico is thus tied more tightly to the economy of the United States than other countries in the region. Mexico also experienced the first financial crisis in the region in 1994-95 related to the staunch liberalization engaged throughout the 80s and early 1990s in response to the debt crisis. John Sheahan foreshadows this danger, writing that, "such freedom also mean that the private

sector can move funds out of the country on a large scale, using up foreign exchange reserves and frightening off new lenders," (Sheahan, 1987: 305). The trade deficit created by the fixed exchange rate mentioned earlier was financed by extremely mobile portfolio investment; Pastor and Wise note, "portfolio capital accounted for 86.8 % of total foreign investment flows to Mexico, compared to just 11.3 % in 1989," (1997: 334). By 1993, investors had become wary of Mexico because of rising current account deficit, weak growth despite neoliberal reform, and low private savings rates. Interest rates were raised by the United States, prompting widespread capital flight further solidifying the linkages of the two economies. The capital flight ultimately led to a currency crisis that marked the start of financial troubles within the region.

The currency devaluation and capital flight of 1994 hampered growth as GDP decreased over 6 percent in 1995 and led to a new round of stabilization. This period of economic adjustment was marked by a commitment to traditional orthodox policies with cuts in public spending and an increase in the value added tax. Export growth to the United States diminished some of the damage of the crisis, as exports jumped from 17 percent of GDP in 1994 to 30 percent in 1995. Mexico continues to export at a significant level, especially with regards to the commodity boom, but has not benefited as much as Argentina, Brazil, or Chile. One of the reasons for this is the rise of China and similarities in export structure between China and Mexico. With China's entry into the WTO in 2001, Mexico has faced increased competition especially in the *maquila* sector (Ma and Wooster, 2009). Because Mexico (due to NAFTA, financial liberalization, and export structure) is tied so closely to the US, recession in the post 9/11 world has caused further difficulties. Growth in 2001 was negative and remained lackluster for a few years following.

Mexico is another country that demonstrates the diversity of neoliberal approaches and the

influence of policies made in the 1990s as they continue to shape development trajectories. As shown in Table 4, government expenditures are lower than the more state involved approaches of Chile and Brazil, and the general reform index is also above average, pointing to the more orthodox neoliberal leaning of the country. The liberalization trajectories pursued by the Mexican state in response to the debt crisis linked their economic development pathway to the United States for better or worse. The signing of NAFTA helped increase the exporting capability of the country but also solidified linkages to the United States making it more susceptible to business cycle fluctuations.

Further Research

My focus in this study has been the diversity of policy reforms in the neoliberal era and the corresponding changes that have occurred since the debt crisis and hyperinflationary period, financial crisis, and the commodity booms. By no means does this sufficiently address the vast amount of research required to fully understand neoliberal reforms. I have not addressed here the issues of inequality and poverty, two of the main areas of study regarding the success of neoliberal reform. The way in which growth relates to inequality should be a focal area for substantial research in the future. Many of the countries that have experienced consistent growth in the 90s and 2000s still suffer from rampant inequality, and the relationship between neoliberal reform and inequality is a realm of study that requires continued research. For instance, although Chile has performed well in terms of growth over the past two decades, where is that growth going? Is it going to those in the upper income brackets or is it bringing people out of poverty? Are the decisions made by the state in terms of supporting specific exporting firms affecting the well being of the citizens? Furthermore, the focus of this paper has been to challenge approaches

that perceive neoliberal reform as being a limiting process rather than a process that affords many options to policy makers. This approach should encourage further analysis of relationships between economic development and policy, to take into account the unique nature of country specific development trajectories.

Another important area of research is the relative success of policies and the institutional arrangements that facilitate successful policies in terms of growth. The variety of experiences with regards to growth in Latin America throughout the past 20 years provide many examples of policy success and failure in different contexts. Promoting sustainable growth in developing countries is one of the most challenging tasks moving forward. Understanding the successes and failures of neoliberal reform will help leaders and academics alike promote economic policy strategies that will help create growth that can be sustained

Conclusions

The experiences of Argentina, Brazil, Chile, and Mexico throughout the 1990s and 2000s point to the diversity of policy capabilities in an era of neoliberal reform and increased globalization. Each country has a displayed a somewhat unique development trajectory when evaluated on a number of indicators and policy arrangements. These trajectories are dependent upon the type of reform undertaken in response to the debt crisis and hyperinflation, in response to financial crisis, and in response to new opportunities garnered by the 2000s commodity booms. The findings within this paper challenge many previous characterizations of development trajectories in Latin America.

Kurtz and Brooks, with their identification of two types of neoliberal development (that of orthodox or embedded neoliberalism), cannot fully appreciate the distinct causal mechanisms

and nuances that shape diverse pathways of economic reform. The decisions made by governments with regards to the role of state in economic reform marked by industrial policies, exchange rate regimes, responses to inflation, export growth and promotion, and other reform policies are much better predictors and depictions of neoliberal development pathways. Ben Ross Schneider's description of Latin America engaging in one variety of capitalism categorized by diversified business groups, multinational corporations (MNCs), low-skilled labour, and atomistic labour relations again does not fully explain the range of development trajectories in the region. Despite many similarities, the Latin American economies have not converged on one definitive model. Exports may play a larger role in one context, industrial policy and development banks in another, or perhaps free trade agreements leading to linkages with large economies. Economic development as manifested in Argentina, Brazil, Chile, and Mexico demonstrates that the leeway afforded within neoliberal reform leads to unique differences in development trajectories.

Argentina has employed a trajectory that vastly diminished the role of the state throughout the 90s, a policy approach that I classify as eviscerated statism. The government of Carlos Menem substantially reduced the role of the state in economic development and reinvented the Peronist party. The 2000s have seen the comeback of the state in response to the severity of the financial crisis in 2001 and the opportunities provided by the commodity boom in the market of soybeans. However, the reforms of the 1990s continue to shape Argentine political economy. Brazil has engaged in a substantially different neoliberal development model that has seen the state remain involved in development. The embeddedness of the state in the reform process in both the Collor and Cardoso administrations with regards to stabilization and economic adjustment along with state support through the development bank illustrates the

inertial statism that has shaped Brazilian economic reform. Chile has engaged in a development pathway based upon the promotion of exports and strategic trade to lead the way during economic reform. Export growth has been one of the main factors in creating continual growth throughout this period even before the commodity boom that has benefited the region. Specifically, state involvement and promotion of nontraditional exports has allowed the Chilean economy to perform the best in terms of GDP growth of all countries within this study. Mexico, finally, has been shaped by its early commitment to more market-oriented reforms and linkages to the United States economy, using export growth from NAFTA to lessen the blow from financial crisis while suffering from the post 9/11 recession and competition with China.

All of these experiences point not to a one size fits all method of neoliberal reform, but to diverse development trajectories influenced by the decisions made by governments at critical junctures. The principles of neoliberal reform more accurately provide a guideline for goals of economies that have experienced a shift in terms of the role of the market. However, a commitment to a market-oriented approach does not remove agency from a government. Development pathways cannot be understood completely through broad generalizing categories. The unique decisions made by governments at critical junctures in response to the debt crisis and hyperinflation, financial crisis, and finally commodity booms determine the trajectory of neoliberal reform pursued by each country.

Figure 1. Argentina's Path: Eviscerated Statism

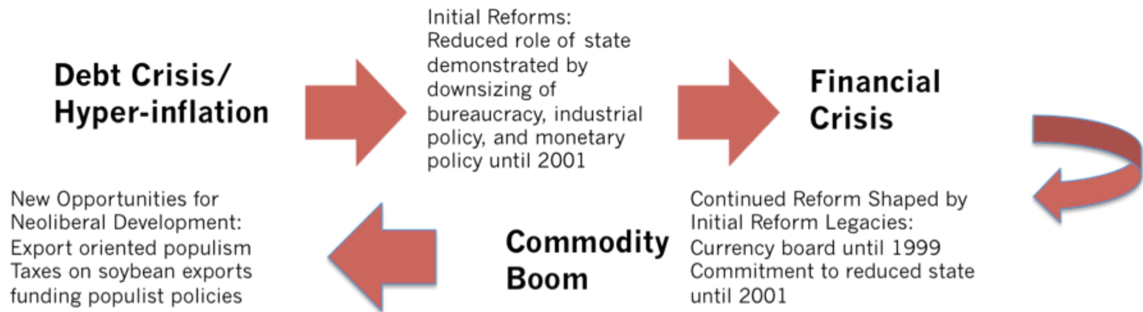

Figure 2. Brazil's Path: Inertial Statism

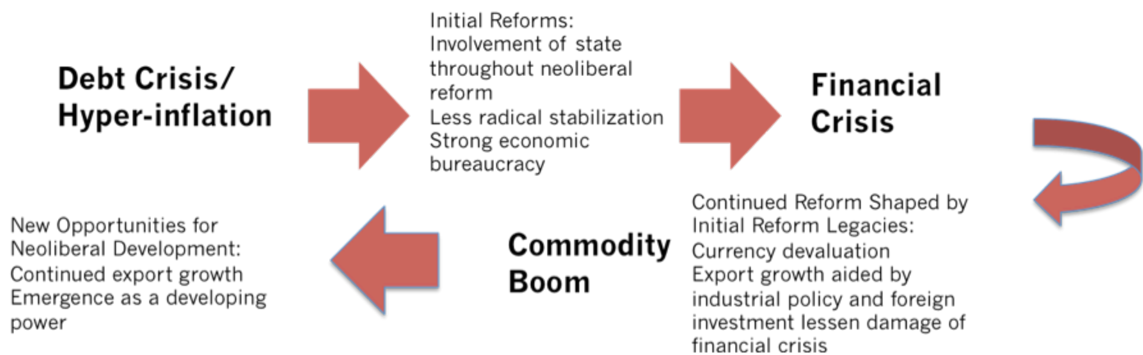

Figure 3. Chile's Path: Export Promotion

Figure 4. Mexico's Path: Linkages to United States

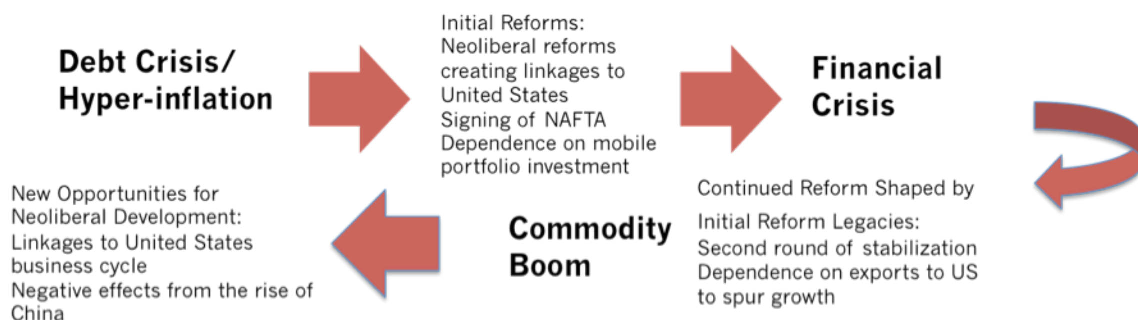

Table 1. Economic variables characterizing economic policies in Argentina 1990-2007

Argentina							
	GOV EXP	GDP Growth	Inflation	Exchange Rate	Gen Reform	FDI Inflows	Exports
1990	10.57	-2.40	2313.96	0.49	0.80	1.30	10.00
1991	11.41	12.67	171.67	0.95	0.89	1.30	8.00
1992	12.02	11.94	24.90	0.99	0.93	1.90	7.00
1993	14.64	5.91	10.61	1.00	0.93	1.20	7.00
1994	15.21	5.84	4.18	1.00	0.93	1.40	8.00
1995	15.75	-2.85	3.38	1.00	0.94	2.20	10.00
1996	15.38	5.53	0.16	1.00	0.96	2.60	10.00
1997	15.26	8.11	0.53	1.00	0.97	3.10	11.00
1998	15.36	3.85	0.92	1.00	0.96	2.40	10.00
1999	16.95	-3.39	-1.17	1.00	0.96	8.50	10.00
2000	16.97	-0.79	-0.94	1.00	0.96	3.70	11.00
2001	17.10	-4.41	-1.07	1.00	0.90	0.80	12.00
2002	19.68	-10.89	25.87	3.06	0.88	2.10	28.00
2003	19.84	8.84	13.44	2.90	0.88	1.30	25.00
2004	18.29	8.98	4.42	2.92	0.90	2.70	25.00
2005	18.30	9.18	9.64	2.90	0.92	2.90	25.00
2006	18.30	8.47	10.90	3.05	0.92	2.60	25.00
2007	18.30	8.65	8.83	3.10		2.50	25.00

POSC 322. (Fall 2009). Common Dataset.

Table 2. Economic variables characterizing economic policies in Brazil 1990-2008

	GOV EXP	GDP Growth	Inflation	Brazil Exchange Rate	Gen Reform	FDI Inflows	Exports
1990	33.56	-4.30		0.00	0.57	0.20	8.00
1991	24.36	1.30	432.78	0.00	0.59	0.30	9.00
1992	29.21	-0.50	951.65	0.00	0.65	0.50	11.00
1993	37.24	4.90	1927.98	0.03	0.68	0.30	11.00
1994	33.76	5.90	2075.89	0.64	0.78	0.60	10.00
1995	32.90	4.20	66.01	0.92	0.80	0.60	7.00
1996	33.80	2.70	15.76	1.01	0.84	1.30	7.00
1997	24.52	3.30	6.92	1.08	0.83	2.30	7.00
1998	26.80	0.10	3.20	1.16	0.83	3.80	7.00
1999	26.80	0.80	4.86	1.81	0.86	4.90	9.00
2000	26.80	4.40	7.04	1.83	0.87	5.10	10.00
2001	16.50	1.30	6.84	2.35	0.81	4.10	12.00
2002	19.58	1.90	8.45	2.92	0.83	3.30	14.00
2003	18.73	0.54	14.71	3.08	0.82	1.80	15.00
2004	19.20	5.18	6.60	2.93	0.82	2.70	16.00
2005	20.21	3.16	6.87	2.43	0.82	1.70	15.00
2006	20.80	3.75	4.18	2.18	0.82	1.70	14.00
2007	21.52	5.42	3.64	1.95		2.60	14.00
2008	21.75		5.66	1.83			14.00

POSC 322. (Fall 2009). Common Dataset.

Table 3. Economic variables characterizing economic policies in Chile 1990-2007/2008

	GOV EXP	GDP Growth	Inflation	Chile Exchange Rate	Gen Reform	FDI Inflows	Exports
1990	20.38	3.70	21.78	26.03	0.70	2.10	34.00
1991	19.98	7.97	15.43	21.78	0.75	2.30	32.00
1992	19.55	12.28	12.73	15.43	0.78	2.10	30.00
1993	19.93	6.99	11.44	12.73	0.80	2.20	27.00
1994	18.90	5.71	8.24	11.44	0.82	4.70	28.00
1995	18.15	10.63	7.36	8.24	0.84	4.10	29.00
1996	19.15	7.41	6.14	7.36	0.85	6.40	27.00
1997	19.28	7.39	5.11	6.14	0.87	6.40	27.00
1998	20.74	3.92	3.34	5.11	0.89	5.80	26.00
1999	22.17	-1.14	3.84	3.34	0.89	12.00	30.00
2000	21.82	4.40	3.57	3.84	0.89	6.50	32.00
2001	20.92	2.80	2.49	3.57	0.94	6.10	33.00
2002	21.00	2.20	2.81	2.49	0.95	3.80	34.00
2003	19.99	3.30	1.05	2.81	0.96	5.80	37.00
2004	18.86	6.06	3.05	1.05	0.95	7.50	41.00
2005	18.15	5.56	3.39	3.05	0.94	5.90	41.00
2006	17.03	4.34	4.41	3.39	0.93	5.00	46.00
2007	17.28	5.10	8.72	4.41		8.80	47.00
2008	18.43			8.72			

POSC 322. (Fall 2009). Common Dataset.

Table 4. Economic variables characterizing economic policies in Mexico 1990-2007

GOV EXP	GDP Growth	Inflation	Mexico Exchange Rate	Gen Reform	FDI Inflows	Exports
16.82	5.18		2.812599167	0.81	1.00	19.00
13.72	4.21	22.66	3.01843	0.79	1.50	16.00
13.35	3.54	15.51	3.094898333	0.78	1.20	15.00
13.50	1.94	9.75	3.115616667	0.78	1.10	15.00
13.66	4.46	6.97	3.375116667	0.78	2.60	17.00
14.96	-6.22	35.00	6.419425	0.76	3.30	30.00
14.42	5.14	34.38	7.599448417	0.78	2.80	32.00
15.23	6.78	20.63	7.91846	0.81	3.20	30.00
13.95	4.91	15.93	9.13604175	0.79	2.90	31.00
14.92	3.87	16.59	9.5603975	0.77	2.80	31.00
15.44	6.60	9.50	9.455558333	0.79	3.10	31.00
15.90	-0.16	6.36	9.342341667	0.88	4.70	28.00
15.76	0.83	5.03	9.655958333	0.88	3.30	27.00
15.40	1.41	4.55	10.78901917	0.89	2.10	25.00
14.60	4.36	4.69	11.28596667	0.89	3.00	27.00
14.80	3.20	3.99	10.89789167	0.89	2.50	27.00
14.93	4.81	3.63	10.89924167	0.90	2.00	28.00
15.36	3.20	3.97	10.92819167		2.40	28.00
16.14		5.13	11.12971667			28.00

POSC 322. (Fall 2009). Common Dataset.

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