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After Neoliberalism? Brazil, India, and China in the Global Economic Crisis

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ABSTRACT Against the backdrop of debates about ‘post-neoliberalism’, we examine the implications of the global economic crisis for three important semi-peripheral states: Brazil, India, and China. Deploying a framework which combines neo-Gramscian theory, radical economic geography, and materialist state theory, we find that all their political-economic models have undergone processes of substantial neoliberalisation, albeit to varying degrees and partly giving way to countervailing trends well before the global turmoil. The crisis has markedly accentuated ongoing developments. In Brazil, it has reinforced a transition to a neo-developmentalist strategy. In contrast, the Indian elites have quickly returned to the path of gradual neoliberalisation. In China, it is still unclear whether a fundamental social-corporatist regime change will be accomplished. Our analysis thus suggests a divergence of trajectories, rather than a general rebound of the state, let alone a full-blown post-neoliberal transformation.

Keywords: BRICs, neoliberalisation, post-neoliberalism, economic crisis, world order

Introduction

In April 2011, the heads of state of Brazil, Russia, India, China, and South Africa gathered in Sanya, China, for the third BRICS summit. Their summit declaration not only emphasised that the BRICS were positioned to play a central role in shaping the future global political economy. It also expressed the Global South’s latent dissatisfaction with fundamental aspects of the Western-dominated neoliberal order, such as weak financial regulation and international monetary policy (BRICS Leaders Meeting, 2011).

The summit can be understood in the context of the emergent debates over possible crisis-induced ‘post-neoliberal’ transformations in the global political economy. Such debates
ensued as governments around the world were compelled to abandon, at least temporarily, core neoliberal principles in order to prevent a complete economic collapse (Brand and Sekler, 2009; Brenner et al., 2010a). Diverging interpretations exist: Some scholars identify first attempts to ‘break with some specific aspects of neoliberalism’ (Brand and Sekler, 2009, p. 6), while others remain sceptical regarding the potentials for such a transformation (Crouch, 2011, p. viii), or even consider the emergence of a new neo-authoritarian variant of capitalism more likely (Robinson, 2010, pp. 306 f.).

Such disagreements underscore the validity of Gramsci’s identification of crises as contested phases when ‘the old is dying and the new cannot be born’ (Gramsci, 1971, p. 276). However, as far as the role of emerging economies has been addressed, attention has remained focused primarily on their relative power gains in global politics (e.g. Altmann, 2009). A substantial discussion of the transformations that the crisis may have triggered with regard to the political-economic models of the emerging economies themselves, and thus to fundamental relations between state and capital, has been largely absent from these debates so far. It is this issue which we shall address in this article.

More specifically, we seek to reach a comparative assessment of the impacts that the global crisis has had on three of these countries: Brazil, India, and China (the BICs). These have been chosen because they are the largest, as well as the most economically powerful and/or dynamic among the BRICS countries. Unlike Russia, they were also historically marginalised in global economic governance. In our analysis, we focus on the role which neoliberalism has played in shaping their political-economic models and the recent changes therein which the crisis may have triggered or accelerated. The text proceeds as follows: In section two we outline our perspective on ‘neoliberalisation in crisis’ and the conceptual framework used for its analysis. In section three we scrutinise and compare the political-economic transformations that brought about a turn to neoliberalisation in the BICs. In section four we briefly analyse the impacts which the global economic crisis has had on their economies and societies before discussing the crucial differences between these three countries’ reactions to the crisis and their implications in section five. A short conclusion follows: For India, we observe a continuity of neoliberalisation, while Brazil has shifted to a relatively stable social-democratic model. China, in turn, is in the midst of an open-ended process of structural transformation.

Understanding Neoliberalism as a Theory of Praxis

At a basic ideological level, neoliberalism is a set of guiding beliefs in the guise of scientific truths, ‘doxa’, centred on the notion of efficient, competition-driven markets as the best mechanism for regulating socio-economic relations (Bourdieu, 1998, pp. 34 ff.). While neoliberal ideology is most closely associated with the progressively transnationalised fractions of the bourgeoisie, against the backdrop of the protracted economic crisis of the 1970s its principal intellectual advocates successfully recast it as a practical theory which would not only restore economic dynamism but thereby also serve the best interest of society at large. In most cases, these emerging neoliberal social alliances also incorporated parts of the middle classes, and they could often count upon temporary support from marginalised population segments. Thus, neoliberalism came to constitute the major force driving the dismantling of the predominance of Keynesian and developmental state strategies in the capitalist core states and the periphery, respectively (Robinson, 2004, pp. 73 ff., 80 f.).

Of course, these processes have not been simply unidirectional or all-encompassing, but rather path-dependent, contested, and constitutively uneven. Thus, one can observe a marked
persistence of institutional configurations and political-economic strategies distinct both from each other and from the neoliberal ideal (Brenner et al., 2010b). Moreover, against the background of changing political conjunctures, the underlying ideology and policy programmes have undergone several rearticulations, whereby the ‘roll-back’ phase was followed by a more ‘socially interventionist and ameliorative’ phase of ‘roll-out’, which crystallised itself for instance in Third Way social democracy and the so-called Post-Washington Consensus (Peck and Tickell, 2002, pp. 388 f.). In spite of this flexibility of neoliberalism, the integration of subaltern actors has often succeeded only to a limited extent. As a result, neoliberalism has come to manifest itself in highly differentiated, or ‘variegated’, forms which differ not least with regards to the role for state involvement in the economy, capital and labour market regulations, etc., depending on prior institutional settlements, specific social alliances, and so on (Peck and Tickell, 2002).

This brings us to another key point, namely the significant transformations in the relations between state and capital which these processes induced. The previously dominant Keynesian and developmentalist approaches attributed to state institutions a key role in steering economic development and distributing social gains, and in many cases involved active state engagement in productive activities (Radice, 2008, pp. 1164 ff.). The erosion of the underlying settlements implied substantial changes to this role: Thus, policy programmes like economic liberalisation, privatisation, and the internationalisation of production and finance entailed and were accompanied by a reconfiguration of capitalist states as ‘competition states’ (Hirsch, 2005, pp. 145 ff.). Rather than occupying the ‘commanding heights’ of the economy, their activities came to be predominantly focused on fostering and sustaining ‘competitiveness’ and thus on facilitating private, business-led capital accumulation. Contrary to the ideological myth of state withdrawal, however, this reconfiguration is best understood as a process of self-transformation: In a kind of liberal interventionism, the socio-economic alliances which had risen to (state) power pressed toward a reorganisation of the institutionally engrained dimensions of class relations, to advance and entrench the ongoing changes in the balance of forces (ibid., pp. 141 ff.).

In accordance with these general empirical considerations, we would now like to sketch out some theoretical and methodological tenets. In our view, neo-Gramscian theory, with its constitutive focus on social forces and the changing configurations of consent and coercion, provides a useful lens for studying the advance of neoliberalism (e.g. Gill, 2008, ch. 3, 6). Hegemonic rule, in this view, is exercised by a social class (or fraction) which is able to integrate subaltern forces by means of material concessions and a shared ideology. The formation of an encompassing ‘social bloc’ which can canvass support for the envisaged political projects is an essential prerequisite for their sustainability. Crises are to be given particular attention, due to their potential adverse impacts on the stability of ruling blocs and thus the creation of new scope for action for contending social forces (Gill, 2011, pp. 4 f.).

To grasp more fully the uneven and multifaceted character of neoliberalism, the above perspective can be specified with methodological tenets associated with the notion of ‘variegated neoliberalisation’ (Brenner et al., 2010a, 2010b; Peck and Tickell, 2002; Peck et al., 2010): this understanding implies that the empirical starting point should be ‘actually existing neoliberalism(s)’ and the interactions between neoliberal projects and historically specific pre-existing institutional structures in processes of neoliberalisation. In the present context, this suggests the need to analyse the extent to which such processes may have been brought to a halt, modified, or even reversed.

In order to conceptualise the implications of neoliberalisation and its crisis in the BICs for state–capital relations, it is helpful to additionally draw upon state-theoretical insights from
the thriving neo-Poulantzasian literature (Gallas et al., 2011). The main contribution that it can make to the present analysis is rooted in Poulantzas’s (1978, pp. 128 f.) insight that the state and its apparatuses constitute ‘a relationship of forces, or more precisely the material condensation of such a relationship among classes and class fractions’. In other words, ‘[s]tate power results from a continuing interaction between the structurally inscribed strategic selectivities of the state as an institutional ensemble and the changing balance of forces operating within, and at a distance from, the state and, perhaps, also trying to transform it’ (Jessop, 1999, p. 54). For our purposes, this perspective specifies the question regarding the crisis-induced de- or recomposition of neo-liberal social blocs: What is at stake is a possible transformation of the ‘structurally inscribed strategic selectivities’ of individual state apparatuses and the apparatus ensemble as a whole, i.e. their relative openness or closure for the interests of socio-economic actors which had remained outside of the ruling bloc.

**Neoliberalisation in Brazil, India, and China**

These principles are especially pertinent for the BICs. Due to their huge size and large populations, as well as their intermediate role in the world economy, these semi-peripheral nations are characterised by distinctive state–society complexes, historically defined by the ‘paramountcy of the state as the institution driving forward the social formation’ (van der Pijl, 1998, p. 80). They count with larger domestic markets than most other (semi-)peripheral countries and therefore, in Poulantzasian terms, with stronger domestic and national capital fractions (Poulantzas, 1978, p. 117). Traditionally, these could rely on the developmental state infrastructure to strengthen their own position vis-à-vis international competitors. None of the BICs has ever come close to resembling neoliberalism’s ‘heartlands’, or the peripheral countries subjected to ‘shock therapies’ with regard to the depth of neoliberalisation. This is not to say that neoliberalism did not play a significant role, much to the contrary. However, all three countries developed quite specific variants of neoliberalised political economies, based on the social alliances that were forged in their support and the pre-existing institutional configurations, among other things. As a historical legacy, state institutions are still crucial for organising the expansion of capital accumulation in the vast territories, and thus continue to exert considerable power (Nölke, 2011, pp. 3 ff.).

**Brazil: From ‘Collorstroika’ to Lula’s Social-Democratic Turn**

The Brazilian turn to large-scale neoliberalisation from the early 1990s onwards was preceded by the exhaustion of an authoritarian developmental state regime, which had been based on a tripartite economic structure comprising national-private, state-owned, and foreign capital. From the mid-1970s, faced with increasingly adverse international conditions, it began to lose its economic dynamism, finally giving way to the debt crisis of the 1980s (Souza, 2005, ch. 7). In 1989, a phase of heightened political struggles in the context of the transition to democracy culminated in the election of Fernando Collor de Mello for president, with a small majority for his centre-right coalition over Lula da Silva’s socialist Partido dos Trabalhadores (Workers’ Party, PT).

Immediately, Collor’s government began to push for a restructuring of the state apparatuses by implementing a programme of large-scale privatisation, and for increasing economic openness by radically reducing import tariffs and ending the Brazilian blockade of the GATT negotiations (Vizentini, 2003, pp. 80 ff.). Fernando Cardoso, as finance minister of an interim
presidency and from 1995 as president, created the *Plano Real* scheme which sought to tackle inflation by pegging the currency to the US dollar. His government continued the processes of privatisation and initiatives for greater economic internationalisation (Schmalz, 2008, p. 79). A somewhat more cautious approach was taken with regards to the liberalisation of the financial sector (Souza Braga and Cinta Macedro, 2000). As a result of Collor’s and Cardoso’s policies, parts of the developmental state infrastructure were shattered or restructured: for instance, the activities of the cash-rich development bank BNDES became primarily geared towards financing privatisation projects, while the finance ministry, a stronghold of neoliberal ideology, considerably gained in importance relative to other state institutions (Rocha, 2002).

For some time, the project of neoliberalisation was supported by a seemingly stable social bloc, led by transnationally oriented capital fractions which derived support from middle classes, as well as parts of the marginalised population who benefited from the end of hyper-inflation (Schmalz and Ebenau, 2011, pp. 57 f.). However, modest growth rates, a chronic current account deficit, widespread job losses, and a stalling of poverty reduction quickly emerged as downsides of the model. The knock-on effects of the Asian crisis (1997–1998) led to the collapse of the monetary regime, a massive depreciation of the currency, and finally the imposition of a structural adjustment programme by the IMF. As a consequence, the social bloc underpinning the neoliberal project gradually disintegrated (Pochmann, 2006, pp. 60 ff.).

In 2002, Lula was elected president after the PT had succeeded at forging a new alliance among the losers of the neoliberal opening policy, including the urban proletariat, domestic market-oriented capital fractions, and parts of the middle classes (Boito Jr, 2003, p. 12; Morais and Saad-Filho, 2005). Also, parts of export-oriented capital fractions, not least several agribusiness companies, rallied behind the government because of its commitment to open up markets in the Global South. However, the heterogeneity of this coalition led to conflicts about the political orientation of the administration and thus the control over state apparatuses (Schmalz, 2008, ch. 4). For instance, former Finance Minister Antonio Palocci, was openly criticised by other ministers, including today’s president, Dilma Rousseff, for his support of austerity policies. As a result of this split between neo-developmentalist and neoliberal currents during Lula’s first term, profound changes remained confined largely to the areas of foreign policy, industrial policy, and social welfare. Between 2003 and 2008 Brazil benefited from a major commodity boom which not only enabled the government to consolidate the current account balance and to pay off considerable parts of Brazil’s foreign debt, but also widened its political leeway. Not least with the popular support derived from increased social spending, after Lula’s re-election in 2006 it thus managed to forge a more coherent class alliance. The latter might be characterised as a ‘semi-peripheral social-democratic bloc’, unified around a consensus regarding the goals of high economic growth with mild redistribution.

Subsequently, the government embarked upon a project of substantial economic reorientation (Sicsú, 2007). Its most tangible manifestation was the massive investment programme *Programa de Aceleração do Crescimento* (PAC), with a volume of about US $290 billion. The GDP growth rate picked up, reaching 5.4% in 2007; the poor north-eastern regions even experienced double-digit ‘Chinese’ growth rates (*The Economist*, 2011). In addition to surging (agricultural) exports, Brazil’s economic development was also strongly fostered by the expansion of the domestic market and accelerated industrial growth, as high as overall GDP growth. In particular, Lula’s social and labour market policies contributed to this success through their positive effects on demand from the lower classes: until the end of his second term, real minimum wages had almost doubled, social welfare programmes had been extended, and labour formality had increased (Berg, 2011).
In sum, a far-reaching neoliberalisation of the Brazilian political-economic model had taken place up until the early 2000s. However, when the global economic crisis began to spread, this process had already come to a halt, and had even been reversed in most policy areas. Instead, the government reinvigorated a developmentalist approach through a state-coordinated investment plan and by implementing an active industrial policy (Novy, 2009). Likewise, social inclusion had gained in importance as a policy goal in ministries responsible for economic issues. Also, for the first time since the 1960s the lower classes had significant influence on Brazil’s state apparatuses; for instance, trade unionists became actively involved in foreign trade negotiation processes.

India: Counter-Revolution in Slow Motion and Predatory Growth

Similar to Brazil, albeit under democratic-socialist auguries, over the second half of the twentieth century successive Indian governments, led by the Indian National Congress party (INC), pursued a developmental state strategy based on an uneasy alliance between the state and national capital. In this sense, India’s post-independence economic model was characterised by strong direct state involvement, in particular in the primary and manufacturing sectors, a reliance on state planning, and a strongly protectionist stance (Sau, 1983, pp. 58 ff.; Schmalz and Ebenau, 2011, pp. 82 f.). However, the ‘counter-revolution in slow motion’ (Desai, 2008) against this model began already in the 1960s, when with the strengthening of capitalist relations in agriculture through the ‘Green Revolution’ state actors’ disciplinary capacity vis-à-vis agrarian capitalists was reduced decisively (Chibber, 2003, pp. 43 ff.). Due to a combination of such growing internal contradictions and the increasing adversity of the international context, the national-developmentalist ‘Nehruvian Consensus’, through which several INC governments had canvassed the support of the popular classes, lost most of its ideological clout. A balance of payments crisis was seized by neoliberal reformers, swept to state power with the election of Narashima Rao as president in 1991, as the long-awaited opportunity to begin a concerted process of neoliberalisation (Patnaik and Chandrasekhar, 1995).

The Rao government de facto abolished the extensive system of industrial licensing, opened up various segments of the public sector to private capital, and reduced subsidies and price controls protecting agricultural producers. India also joined the WTO and in this context substantially relaxed trade barriers, increased currency convertibility, and eased controls on foreign investment (ibid.). Not unlike the Brazilian case, a prudential regulation of the financial industry was retained due to the influence of the traditionally conservative Indian central bank, RBI. Beyond this sector, the Indian case of neoliberalisation remained somewhat more limited than the former, as more elements of the developmental state infrastructure were retained and some new, if limited, large-scale social policy instruments, like the National Rural Employment Guarantee scheme (NREGA), created. Similarly, economic internationalisation advanced only slowly (Kohli, 2007; Reddy, 2009, pp. 135 ff., 161 ff.). Nevertheless, the direct economic role of state institutions and the emphasis on redistribution were reduced considerably. Thus, while the political advocates of the neoliberalisation project succeeded at amalgamating actors ranging from business elites to the growing affluent middle classes into a supportive social bloc, its narrowness reflects changes in state–society relations at large: a much ‘warmer embrace’ with capital, mirrored by the growing disregard for the more marginal addressees of the traditional developmentalist strategy (Kohli, 2007).

Consequently, while in recent years India has seen considerable economic dynamism, with pre-crisis GDP growth rates peaking at 9.8% in 2007, comparable social improvements have
not materialised. The most salient problems include the escalation of a long-standing agrarian crisis, a lack of formal employment creation, and generally poor results in terms of poverty reduction (Jha and Negre, 2007). What is more, the high-growth segments depend significantly on the retention of these structures in order to sustain their global competitiveness through cheap inputs of labour and natural resources. The present configuration has therefore been denounced as one of ‘predatory growth’ (Bhaduri, 2008). Consequently, far from representing a hegemonic project, the ruling bloc is faced with growing social discontent and resistance, even giving way to limited state disintegration in parts of India’s east controlled by Maoist guerrilla organisations. Despite this, the neoliberal ideology has remained dominant among the elites and the politically vocal middle classes, not least due to the extraordinary economic growth (Ebenau and Al-Taher, 2010, pp. 6 ff.).

China: The Long March to the World Market

The basis for the Chinese kind of neoliberalism is to be found in the capitalist restoration after the Maoist era under leadership of Deng Xiaoping, the Communist Party of China’s (CPCh) grey eminence at that time. After 1978, small private enterprises were permitted, the agricultural sector was partly de-collectivised, and special economic zones were established in order to boost exports and attract foreign capital (Hart-Landsberg and Burkett, 2005, pp. 40 f.; Naughton, 2007, ch. 4). This period can be characterised as one of ‘reform without losers’ (Naughton, 2007, p. 91), in which the market economy grew while still embedded in a planning system. In addition, the state sector was largely excluded from privatisation. This phase ended with the bloody abatement of a social movement that demanded a more social and democratic direction for the reforms in the massacre of Tiananmen Square in 1989, when the way was paved for an authoritarian neoliberal economic restructuring (Hui, 2003).

The fourteenth CPCh Congress in 1992 coined the notion of a ‘socialist market economy’ for the envisaged political-economic model, consequently adopting several resolutions to accelerate economic opening. Thus, ‘neoliberalism with Chinese characteristics’ (Harvey, 2005, p. 120) celebrated a breakthrough: Scores of SMEs were privatised, the import licensing and quota system relaxed, tariffs considerably reduced, new industrial segments opened up for foreign investment, and export-supporting measures created (Breslin, 2007, ch. 3). China’s accession to the WTO in 2001 initiated a new phase of economic internationalisation with further tariff reductions, and the liberalisation of the services and agricultural sectors (Panitchpakdi and Clifford, 2002, pp. 164 f.). China has since developed into the world’s largest exporter in absolute terms. Compared to Brazil and India, it maintains a high level of exports as a proportion of GDP (35% in 2008). Like India and Brazil, the liberalisation of banking and finance in China remained rather limited, and firm controls over the currency and capital flows were retained. Moreover, a quasi-symbiotic relationship between state, national capital fractions, and CPCh developed, as the degree of state intervention as well as the size of the public sector remained large (Nee, 2005). More specifically, the Chinese state impeded a consolidation of both an independent organised bourgeoisie and proletariat. Nevertheless, the close ties between local party officials and capital led to a structural asymmetry in the ‘strategic selectivities’ of China’s state apparatuses vis-à-vis capital and labour, respectively. Also, foreign transnational capital fractions gained importance throughout the reform process, but still have only limited influence on state institutions.

China has been achieving consistently high GDP growth rates since at least 1978. Compared to India, its model has been more successful at absorbing labour surpluses (Chatterjee, 2008).
Nevertheless, the highly dynamic, export- and foreign investment-driven growth has exacerbated social, especially rural–urban inequalities, which alongside the retrenchment of the public sector and associated enterprise-based welfare functions have given rise to a heightened degree of social and labour unrest in recent years (Silver and Zhang, 2009). Politically, the liberalisation process led to significant coordination problems between the central government and the semi-autonomous provinces, triggering structural over-accumulation problems (Hung, 2008). Moreover, the viability of the export model came to depend increasingly on the ability of the US to maintain its debt-financed consumption levels. This ultimately led to the emergence of a constellation in which considerable imbalances had to be contained by continuously high levels of Chinese loans to US public debtors (Ivanova, 2011, pp. 864 ff.).

In order to consolidate the social bloc underpinning the current political-economic model, the administration of Hu Jintao (from 2002), promoting a ‘harmonious society’, has undertaken some tentative steps in a more social-corporatist direction, by extending social policies, taking measures to strengthen labour regulation, and increasing the degree of environmental protection. A major aim of these neo-Bismarckian policies is the creation of nationwide rural and urban social insurances (e.g. health and pensions) and, hence, the provision of some basic social rights for the Chinese population (Haan, 2011, p. 763). This reorientation, however, is still in its early stages and has remained partial, as well as contested.

**Hit but Still Standing: The Crisis in Brazil, India, and China**

The global crisis significantly affected the politico-economic trajectories of the BICs. Financial markets and export industries can be identified as two distinct transmission belts through which the crisis was transferred from its US-epicentre (Schmalz and Ebenau, 2011, pp. 31 ff.).

From late 2008, the three countries were hit by the fallout of the financial meltdown. Common symptoms included partly dramatic stock market volatility, currency depreciation, capital flight, and sharp drops in foreign direct investment, as well as some subprime losses in Brazil and China (Farhi and Zanchetta Borghi, 2009; Ghosh and Chandrasekhar, 2009; Liang, 2010). Still, while governments, central banks, and regulatory institutions of the three countries could not fully protect their respective financial sectors, strict regulatory standards and a limited integration, relative to the core states, into the most affected segments of international financial markets prevented a major breakdown.

Compared to the significance of the financial transmission channel, the effects of the temporary collapse of foreign trade were considerably larger for the BICs (Marques and Nakatani, 2009; Nachane, 2009; Schüller and Schüler-Zhou, 2009). The highly export-driven Chinese model in particular came to face serious difficulties, whereby coastal provinces like Shanghai and Guangdong were hit the hardest. In the third quarter of 2008, about 670,000 factories went into bankruptcy. Recovery did not begin until December 2009. In India, the export-oriented manufacturing sector and, with some delay, some enterprises in the IT/BPO sector were hit by the crisis. The volume of goods exports was about 10% lower in the last quarter of 2008 than during the previous year (Chandrasekhar, 2009; Nachane, 2009). The Brazilian economy fell into a recession: between the last quarter of 2008 and the first quarter of 2009, GDP contracted by an overall 4.4% (Pochmann, 2009, p. 42); exports shrank disproportionately by about 16%. Notably, the Lula government’s previous efforts to reorient foreign trade towards the semi-periphery reduced the impacts somewhat.

In all three countries, the crisis caused domestic consumption and investment activity to decline, with significant social consequences. In Brazil, between November 2008 and January
2009 about 800,000 jobs were lost, mainly in the industrial sector. Again, even though this constituted the worst balance since the financial crisis of 1998–1999 (Marques and Nakatani, 2009, p. 5), the prior expansion of the welfare systems absorbed some of the resulting social hardships. In India, an estimated four million people were made redundant, while workers in the informal economy suffered from the downturn’s secondary effects (Mohanakumar and Singh, 2011). In early 2009, Chinese studies estimated that up to 20 million migrant workers had lost their employment (Chan, 2010, p. 667). In summary, despite the limited impact transmitted through financial channels, the BICs all suffered major declines in export levels with significant social consequences.

Neoliberalisation in Crisis: Reactions and Transformations

Like the capitalist core countries, the BICs responded to the crisis with an array of fiscal, monetary, and social policy measures. The significance of these responses with regards to possible post-neoliberal transformations of the dominant political-economic strategies, however, varies considerably among the three countries.

Brazil: The Consolidation of the Social-Democratic Turn

The Brazilian government, in coordination with trade unions, reacted quickly to the crisis. In contrast to preceding administrations during other crises, it relied on a ‘classical’ anti-cyclical Keynesian policy package. Its main component was the accelerated realisation of the PAC investment programme, which clearly dwarfed the comparatively modest size—1.2% of GDP—of the designated stimulus package: Before the crisis, only about 15% of the projected programme had been realised; by August 2009, however, already over half of the allocated budget had been spent. In addition, through extensive loans by public commercial banks and the development bank BNDES, a credit crunch was successfully countered (Governo Federal do Brasil, 2009; Nozaki, 2011, p. 52). The central bank also lowered the prime rate; in 2009, real interest rates fell to historically low levels of 4%. Moreover, several durable consumer goods were exempted from VAT to stimulate domestic consumption (Pochmann, 2009). These macroeconomic measures were supported by additional social spending (e.g. a 10% raise of payments associated with the Bolsa Família cash transfer programme). Simultaneously, trade unions continued to campaign actively, with 93% of agreements struck during the crisis leading to real wage increases (Schmalz and Ebenau, 2011, p. 72).

Even though 2009 was marked by low GDP growth and weak social performance, the overall trajectory of the Brazilian economy was rather robust. In contrast to earlier phases of economic turbulence, Brazil was able to withstand the crisis on its own and managed to recover quickly. In 2010, the economy was booming again with a GDP growth rate of over 7% and more than 2.5 million new formal economy jobs (O Globo Online, 2011). At a larger scale, the Brazilian crisis management had two important implications: the strengthening of the centre-left government and the further increase of its elbowroom in economic policy. At the end of his term in December 2010, Lula enjoyed the highest ever recorded approval rates, about 83% (Datafolha, 2010). His successor Dilma Rousseff was thus elected with a secure majority. By setting in motion a second huge investment programme, PAC II (2011–2014), with a volume of US$539 billion, her government considerably reinforced the neo-developmentalist approach. In sum, the crisis response amounted to the strengthening of Brazil’s semi-peripheral social-democratic class alliance, building not least on an ongoing expansion of the domestic market, and a further increase of
developmental state-like steering of economic processes through strengthening the role of state-owned companies and an overall coordination of private infrastructure investment activities.

**India: Back to the ‘Normality’ of Neoliberalisation**

Compared to Brazil and China, Indian state institutions reacted relatively late to the spreading turmoil. In monetary policy, the central bank reduced the interest rate and injected liquidity of around US$109 billion into the economy (Viswanathan, 2010, pp. 58 f.). Between December 2008 and March 2009, the central government implemented three stimulus packages which included, among other measures, a temporal VAT reduction, funding for public–private partnership infrastructure projects, and support for non-banking financial institutions. The combined volume of these packages remained small, at under 1% of GDP.

India’s economic and social performance throughout the crisis was ambiguous. Like in the Brazilian case, the monetary policy interventions of the RBI managed to prevent a full-blown liquidity crunch. The relatively low levels of financial and trade integration and continuously strong domestic demand limited the drop in GDP growth and helped to quickly offset the job losses in export units (GoI Labour Bureau, 2009; Viswanathan, 2010). Under these circumstances, economic growth quickly got back on track, reaching 7.4% in 2009–2010 and 8.5% in 2010–2011. On the other hand, the social impacts of the crisis were larger than the positive macroeconomic scenario would lead one to expect. The cushioning effects of NREGA spending, increased by 140% in 2008–2009, remained limited because of ongoing implementation deficits and the programme’s restriction to the rural context (Harriss-White, 2010). Due to knock-on effects on the urban informal economy, the relatively mild dip in GDP growth translated into a disproportionate persistence and an increase of poverty of 2.8% (*Times of India*, 2010). Moreover, the impacts on the export sector and foreign capital flows pointed toward the growth of vulnerabilities associated with advancing neoliberalisation (Ghosh and Chandrasekhar, 2009).

Thus, the resilience of the Indian economy was mainly due to the comparatively low degree of financial and trade integration, as well as prudential banking regulation. The federal elections of April/May 2009 nevertheless resulted in a strengthening of neoliberal forces in the state apparatuses, even though this was largely down to idiosyncrasies of the federal electoral system, not a substantial gain in votes for the INC. The central budget for 2010–2011 envisaged a return to austerity-oriented policies, reducing state investments by about US$56 billion and withdrawing unused stimulus funds. The 2011–2012 budget, in turn, implied a consolidation of this direction, with real-term reductions in the levels of state investment and agricultural spending, NREGA included. Moreover, the government announced plans to further increase the role of exports, and to accelerate the process of capital account liberalisation with the ultimate goal of full convertibility (*The Hindu*, 2010). In sum, the Indian state institutions’ reactions to the crisis and their aftermath reflect the stability of the dominant coalition of state actors, business elites, and middle classes and its control over the state apparatuses, but also its relative narrowness: the heterodox policies adopted during the crisis were part of a limited intervention aimed merely at stabilising the current economic regime. The dominance of neoliberalism as a political leitmotif among the dominant social bloc, in turn, has remained quite intact.

**China: Structural Change with Obstacles**

After the Lehman collapse, the Chinese government quickly approved a stimulus package with a volume of US$586 billion—around 12% of the country’s GDP—complemented by further
investment by regional governments. Significant parts were channelled into infrastructure measures, and a substantial proportion went into economically backward inland provinces (Haan, 2011, p. 765). These investments were accompanied by expansive fiscal policies: in late 2008, the government urged the four major public banks to increase lending and the People’s Bank of China lowered the prime interest rate. Around one fifth of the total expenditure went into measures to increase consumption (Hung, 2009, p. 22). Moreover, the Chinese government furthered its social policy efforts, for instance by announcing a public health care reform, valued at about US$123 billion (New York Times, 2009), which increased the basic health care coverage rate to about 95% by mid-2011.

Taken together, these measures succeeded in boosting investment and countering the crisis-induced job contraction. In the second quarter of 2009, GDP growth had already returned to 7.9%. Some of the shortcomings of the Chinese economic model were temporarily corrected: The growth of the domestic market was strengthened, with the poorer inland provinces reaching the highest GDP growth rates, up to Inner Mongolia’s 16.9% (People’s Daily Online, 2010). Strike waves in 2010–2011 went ahead largely without repression by the authorities and achieved significant wage increases. Moreover, these strikes seem to have initiated further reforms to establish institutional procedures to mediate industrial conflicts, particularly in economically important Guangdong province. Also, national and regional authorities attempted to reduce the export industry’s vulnerability by fostering technological upgrading. The State Council drafted a support programme of around US$133 billion for 10 key industries (Tong, 2010, pp. 52 ff.). Similarly, the ambitious plans to increase energy efficiency sought to support such upgrading. In 2010, Chinese authorities resolutely closed down around 2,100 heavily polluting factories (New York Times, 2010). The Twelfth Five-Year Plan (2011–2015) includes the target of increasing consumption as a share of GDP by 5% through an expansion of welfare systems, public wage increases, and a consumption credit system; it also projects investments in key technologies, in particular green technologies, of about US$600 billion.

However, as time progressed, it became increasingly obvious that the measures implemented in the wake of the crisis did not lead to a profound transformation of the Chinese model, despite the entailed expansion of state capacities and reinforced impulses toward a strategic reorientation. Investment still remained the major driver of GDP growth (Schüller and Schüler-Zhou, 2009, p. 176). In 2010 there was even a broader revival of the export-driven growth model. Moreover, faced with a growing housing bubble and rising inflation, the central bank considerably tightened monetary policy. In summary, even though China’s political-economic model is undergoing some change in a social-corporatist direction, and further neoliberalisation might have come to a halt for the time being (Haan, 2011, p. 768), it remains unclear whether government policies will be able to break with the trajectory of export-led growth.

Conclusions

Our analysis has shown that the BICs shared some grounds for higher resilience and quick recovery from the crisis, including higher levels of financial regulation and relative importance of domestic markets. However, claims regarding a coherent B(R)IC(S)-crisis response, possibly built on a shared rejection of neoliberalism and amounting to a general rebound of the state (Bremmer, 2009; Nayyar, 2011) do not stand up to closer scrutiny. Rather, seen from our vantage point of ‘neoliberalisation in crisis’, there has been a considerable divergence regarding implications of the crisis with respect to potential shifts in political-economic strategies and state–capital relations.
In Brazil a structural reorientation had already been under way before the global turmoil. In its second term the Lula government succeeded in forging a coherent class alliance behind its project of economic growth with social redistribution. The consolidation of power came along with a reconstruction of Brazil’s developmental state architecture and a strengthening of social inclusion as fundamental policy goal in ministries responsible for economic issues. The government’s crisis management contributed to a consolidation and broadening of this transformation. Theoretically speaking, a new ‘semi-peripheral social-democratic’ class alliance has formed; processes of neoliberalisation have begun to be reversed in most areas; thus, the ‘strategic selectivities’ of state apparatuses have shifted somewhat in favour of marginalised parts of the population.

When the effects of the global crisis hit India, the economy was in the midst of a singularly dynamic phase which had consolidated the dominance of the ruling bloc, despite the obvious downsides associated with advancing neoliberalisation. The crisis did not significantly alter this situation. Rather, even though it threw into relief the increasing external vulnerability of the Indian economy, neoliberal political actors managed to consolidate their control over state institutions. Heterodox economic policies were temporarily applied purely to stabilise the current model. This was followed by a quick return to the path of gradual neoliberalisation.

In theoretical terms, the dominance of the neoliberal bloc, despite its exclusive character, has emerged solid from the crisis; processes of neoliberalisation, if less advanced than previously in Brazil, are continuing; this makes for a continuing closure of state institutions for the interests of population segments which are not part of the recent boom.

The Chinese response to the crisis, finally, formed part of an ongoing, protracted, and ambiguous search for ways out of the progressively neoliberalised model’s structural problems of one-sided export-oriented and investment-driven growth. The Twelfth Five-Year Plan (2011–2015) seems to address these problems, since it is aiming at increasing consumption and public wages, expanding welfare systems, and green investment. However, the government’s intention to recast the state-capital nexus as a more social-corporatist one might be inhibited by the balance of forces operating within the state, not least the weak representation of labour, as well as by the coordination problems in implementing these aims on a regional level. Thus, while processes of neoliberalisation may have been brought to a halt, so far there has been no consequential break with the export- and investment-led model.

Note

1 This article is based on results of a research project conducted between 2009 and 2011 for the Rosa Luxemburg Foundation, whose main results were published in 2011 in a German-language monograph (Schmalz and Ebenau, 2011).

References


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