

Steps in the construction of New Developmentalism

- a personal report

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Last version, July 2023.

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New Developmentalism is a school of thought being built since the early 2000s. It is originated from Classical Developmentalism, Post-Keynesian Economics, and Marxism. It has as object of study the capitalist economic systems that resulted from the formation of the nation-states and the realization of industrial and capitalist revolutions in each nation-state since the second half of the eighteenth century. New developmentalism, like classical developmentalism and post-Keynesian economics, adopts primarily the historical-deductive method and proposes micro and macroeconomic developmental policies; the alternative is neoclassical economics, which adopts the hypothetic-deductive method and originates a policy system that I call liberal orthodoxy. While the historical schools start from the analysis of real economic systems, and have as scientific criterion the consistency with reality, neoclassical economics starts from axioms like the homo economics and rational expectations, and its scientific criterion is rather logical consistency than adequacy to reality. When the theory does not explain the reality- basically when markets don't conform with the theory, liberal orthodoxy blames the reality rather than the theory.

New developmentalism was born in 2001 when I had the vision that current-account deficits were associated to a long-term overvaluation of the exchange rate that turn manufacturing investment projects non-competitive.

In 2001, I invited Yoshiaki Nakano to author with me two papers, "*Uma estratégia de desenvolvimento com estabilidade*", in which we inaugurated the critique of the extremely high interest rates adopted by the Central Bank supposedly to control inflation, and "*Economic Growth with foreign savings?*", where we began the critique of the growth with current-account deficits foreign indebtedness policy. The first paper caused the broking-down of my theoretical association with the economists of the Catholic University of Rio de Janeiro, who had worked with me in the formulation of the theory of inertial inflation but, after the success of the Real Plan (1994), they were back to the liberal orthodoxy.¹ Immediately after we authored, "Economic growth with foreign

savings”? These plus a 2002 applied paper, “*Financiamento para o subdesenvolvimento: O Brasil e o segundo Consenso de Washington*”, were the two founding papers of New Developmentalism.

In this report I just included the versions in English and Portuguese.

Precedents in the 1980s and 1990s

Lucro, Acumulação e Crise [Profit, Accumulation, and Crisis] (1986) São Paulo: Editora Brasiliense

“**The falling tendency of profit rate re-examined**” (1986). Translation of the first part of *Lucro, Acumulação e Crise*, São Paulo: Editora Brasiliense.

“**Changing patterns of financing investment in Brazil**” (1987), *Bulletin of Latin American Research* (University of Glasgow) 7(2) 1987. Also published in *Revista de Economia Política* (7)4, October 1987: 5-21.

“**Economic reforms and cycles of state intervention**” (1989 [1993], *World Development* 21(8): 1337-1353. Original Portuguese edition of this paper, 1989.

“**Economic populism versus Keynes: reinterpreting budget deficit in Latin America**” with Fernando Dall'Acqua (1991) *Journal of Post Keynesian Economics* 14(1) (1991): 29-38.

A Crise do Estado [The Crisis of the State] (1992), São Paulo: Editora Nobel.

“**A crise da América Latina: Consenso de Washington ou crise fiscal?**” (1991), *Pesquisa e Planejamento Econômico* 21(1) abril 1991: 3-23. Aula Magna no XVIII Congresso da ANPEC (Associação Nacional de Pós-Graduação em Economia), Brasília, 4 de dezembro 1990.

Economic Reforms in New Democracies with José María Maravall e Adam Przeworski (1993). Cambridge: Cambridge University Press.

“**Economic reforms and economic growth: efficiency and politics in Latin America**”, in Bresser-Pereira, Maravall e Przeworski (1993) *Economic Reforms in New Democracies*, Cambridge: Cambridge University Press: 15-76.

“**Development economics and World Bank's identity crisis**” (1995), *Review of International Political Economy* 2(2) Spring 1995: 211-247.

“**A turning point in the debt crisis**” (1999), *Brazilian Journal of Political Economy* 19(2) Abril: 103-130.

“**Latin America's quasi-stagnation**” (2002) in Paul Davidson, ed. (2002) *A Post Keynesian Perspective on 21st Century Economic Problems*. Cheltenham: Edward Elgar Press: 01-28. Paper presented at the Centre for Brazilian Studies, Oxford University, December 1999 with the original title, “Incompetence and confidence building behind 20 years old quasi-stagnation in Latin America”.

The theory of inertial inflation

"**Fatores aceleradores, mantenedores e sancionadores da Inflação**" (1983), com Yoshiaki Nakano. *Anais do X Encontro Nacional de Economia da ANPEC*, Belém, dezembro 1983. *Revista de Economia Política* 4(1), janeiro-março 1984: 5-22. Em inglês: "**Accelerating, maintaining, and sanctioning factors of inflation**" (1983) *Brazilian Journal of Political Economy* 4(1) January-March 1984: 5-22. Published only in the online version of the journal. Originally published in the Annals of the Annual Meeting of the National Association of Economists, Belém, December 1983.

"**Política administrativa de controle da inflação**" (1984). Com Yoshiaki Nakano. *Revista de Economia Política* 4(3) Julho 1984: 105-125. **Sobre a curva de Phillips: uma resposta**" (1985). With Yoshiaki Nakano. *Brazilian Journal of Political Economy* 5 (3), July 1985: 137-139.

The Theory of Inertial Inflation (1987) With Yoshiaki Nakano, Boulder: Lynne Rienner Publisher.

"**Hyperinflation and stabilization in Brazil: the first Collor Plan**" (1990) com Yoshiaki Nakano. In Paul Davidson & Jan Kregel *Economic Problems of the 1990s*, London: Edward Elgar, 1991: 41-68. (855) In Portuguese: "**Hiperinflação e estabilização no Brasil: O primeiro Plano Collor**", *Brazilian Journal of Political Economy* 11 (4), outubro-dezembro, 1991: 89-114.

Methodological critique of Neoclassical Economics

"*The two methods and the hard core of economics*" (2009), *Journal of Post Keynesian Economics* 31(3) Spring: 493-522.

"*Why economics should be a modest and reasonable science*" (2012), *Journal of Economic Issues*, XLVI (2): 291-301.

Written when I received the James Street Scholar (2012) from the Association for Evolutionary Economics, Chicago, January.

"*Historical models and economic syllogisms*" (2017), *Journal of Economic Methodology*, 25, 2018: 68-82.

Books on New Developmentalism

Macroeconomia da Estagnação: crítica da ortodoxia convencional no Brasil pós-1994 (2007), São Paulo: Editora 34. In English, updated: *Developing Brazil: Overcoming the failure of the Washington Consensus* (2009), Boulder: Lynne Rienner Publishers.

Mondialisation et Compétition : Pourquoi certains pays émergents réussissent et d'autres non (2009), Paris: La Découverte. Em português: *Globalização e Competição* (2010), Rio de Janeiro: Elsevier; reimpressão Alta (2018). In English: *Globalization and Competition* (2010) Cambridge: Cambridge University Press. Kindle

Developmental Macroeconomics (2014) com Nelson Marconi e José Luis Oreiro. Londres: Routledge. Kindle. Em português: *Macroeconomia Desenvolvimentista* (2016) com Nelson Marconi e José Luis Oreiro. Rio de Janeiro: Elsevier. A versão em português, publicada dois anos depois, amplamente revisada, é mais completa.

The Rise and Fall of Neoliberal Rentier Capitalism: The Political Economy of New Developmentalism (2025) To be published by Oxford University Press.

New Developmentalism: Introducing a new economics and political economy (2024) Cheltenham: Edward Elgar Publishing. Also in e-book.

The political economy of New Developmentalism

New developmentalism counts with an economics and a political economy.

The *political economy* of new developmentalism involves (1) the class coalitions associating three social classes: the capitalist, the managerial and the working class. (2) The capitalist revolution at large. (3) The capitalist revolution in each country, formed by the formation of the nation-state and the industrial-combined with the construction of a nation and the formation of the capitalist state. (4) The historical process of economic development, as one of the main outcomes of the capitalist revolution. (5) The geopolitics of development: rich and developing countries, central and peripheral countries, the Global North, and the Global South. (6) Imperialism and anti-imperialism. (7) The objectives and ideologies. (7) The appropriation of the economic surplus in the market and combined with the control of the state. (8) The role of the state and the market. Etc.

2006 – New developmentalism and conventional orthodoxy

O novo desenvolvimentismo e a ortodoxia convencional” (2006) *São Paulo em Perspectiva* 20(3) junho 2006: 5-24. *Texto para Discussão EESP/FGV* n.º.156, 2006. In English: **“The new developmentalism and conventional orthodoxy”**, *Economie Appliquée* September 2006, 59(3): 61-94.

2008 - Capitalist revolution and growth

Bresser-Pereira, Luiz Carlos (2008) "Desenvolvimento econômico e revolução capitalista", *Discussion paper EESP/FGV* n.170, September 2008. Revised and

made available on the website for use by my students in 2020 with the title "Revolução capitalista e desenvolvimento".

2008 - Economic nationalism and developmentalism

"Nacionalismo no centro e na periferia do capitalismo" [Nationalism in the center and in the periphery of capitalism], (2008), *Revista Estudos Avançados* 22 (62): 171-194.

"Economic nationalism and developmentalism", (2008), *Fiscaoeconomia*, Special issue on "State and Development in 21st Century", 2 (1) 2018: 1-27. In Portuguese, in *Economia e Sociedade* 27 (3): 853-874.

2008 - Globalization and the nation-state

"Globalization, Nation-State and Catching up", (2008), *Brazilian Journal of Political Economy* 28 (4) 2008: 557-578.

Globalization and Competition, (2010), New York: Cambridge University Press.

The 2008 financial global crisis had not yet happened, globalization and globalism were hegemonic, the earth was said "to be flat", and the nation-state was supposed to be something from the past. Not so.

2015 - Models of developmental state and the industrial revolution

"Modelos de estado desarrollista", (2019), *Revista de La CEPAL* 128, agosto: 39-52.

"Models of developmental state", (2015 [2019]), *CEPAL Review* 128, August: 39-52. Discussion paper EESP/FGV n, 426, September 2016.

2013 - The crisis of neoliberal capitalism

"The end of the Neoliberal Years" (2013), translation of "O fim do neoliberalismo", January 30, 2013. Non-published text available only in the author's site.

"After the demise of neoliberalism, but not of conservatism, a third developmentalism?", (2015), EESP/FGV Discussion Paper 394, June 2015.

"Depois do capitalismo financeiro-rentista, mudança estrutural à vista?", (2017), *Novos Estudos Cebrap* 107. V.36 (1). March: 136-151. Versão em inglês, "The political crisis of globalization", available in the author's website.

2013 - Two forms of organizing capitalism: developmentalism and economic liberalism

"The end of the Neoliberal Years" (2013), translation of "O fim do neoliberalismo", January 30, 2013. Non-published text available only in the author's site.

"The two forms of capitalism: developmentalism and economic liberalism"
(2017) *Brazilian Journal of Political Economy* 37 (4), October 2017: 680-703.

2015 – A third developmentalism after the demise of neoliberalism

"After the demise of neoliberalism, but not of conservatism, a third developmentalism?" (2015) EESP/FGV Discussion Paper 394, junho 2015. English version updated in 2019. Available at the author's website. In Portuguese (2017): **"Depois do capitalismo financeiro-rentista, mudança estrutural à vista?"** *Novos Estudos Cebrap* 107, 36(1) March 136-151.
<http://dx.doi.org/10.25091/S0101-3300201700010007>.

2018 - Rentier-financier capitalism

"Capitalismo financeiro-rentista" (2018). *Estudos Avançados* 32(92), 17-29. In English: **"Rentier-financier capitalism"**: Discussion Paper EESP/FGV, 477, January 2018.

The Rise and Fall of Neoliberal Rentier Capitalism (2024) to be published by Oxford University Press. Book being written since 2020.

The economics of new developmentalism

The *economics* of new developmentalism comprehends a microeconomics and a macroeconomics.

2001 - The founding idea

"A fragilidade que nasce da dependência da poupança externa" (2001) *Valor 1000*, September 2001. This short text was the first article I wrote about what would later be New Developmentalism.

2001-2002 - The three founding papers

Uma estratégia de desenvolvimento com estabilidade", com Yoshiaki Nakano (2002). *Revista de Economia Política*, 22(3), julho 2002: 146-177.

Economic growth with foreign savings? (2002), com Yoshiaki Nakano. *Revista de Economia Política* 23 (2), Abril 2003: 3-27.

"Financiamento para o subdesenvolvimento: O Brasil e o segundo Consenso de Washington" (2002). In Ana Célia Castro, org., *Desenvolvimento em Debate: Painéis do Desenvolvimento Brasileiro I*, v.2, Rio de Janeiro: Mauad/BNDES: 359-398. Com alterações: **"O segundo Consenso de Washington e a quase-estagnação da Economia Brasileira"**. *Revista de Economia Política*, 23 (3) julho 2003: 3-34.

2006 - The critique of growth with the foreign savings policy and the rate of replacement of domestic for foreign savings.

“**Substitution of foreign for domestic savings: the Brazilian case**” (2006). It served as the basis for the chapter 7 “Overappreciation and foreign changes” do livro *Developing Brazil* (Boulder: Lynne Rienner Publishers, 2009): 149-176. Available in the author’s website. Also in Portuguese.

“**Why foreign savings fail to cause growth**” (2007) *Brazilian Journal of Political Economy* 27(1): January 2007:3-19. <http://www.rep.org.br/PDF/105-1en.pdf>.

2008 - The Dutch disease

“**The Dutch disease and its neutralization: a Ricardian approach**” (2008). *Brazilian Journal of Political Economy* 28(1), 2008: 47-71. Em português,

“**Doença holandesa e sua neutralização: uma abordagem ricardiana**”, em Bresser-Pereira, org. (2010) *Doença Holandesa e Indústria*, Rio de Janeiro: Editora FGV: 117-154.

“**Neutralizing the Dutch disease**” (2020) *Journal of Post Keynesian Economics* 43:2: 298-316. <https://doi.org/10.1080/01603477.2020.1713004>

2010 - “Macroeconomia estruturalista e novo desenvolvimentismo”

“**Macroeconomia estruturalista e novo desenvolvimentismo**” (2010) com Paulo Gala, *Revista de Economia Política*, 30 (4), outubro 2010: 663-686.

2011 - The exchange rate as a light switch that connects or disconnects the capable companies from their demand

“**Uma escola de pensamento keynesiano-estruturalista no Brasil?**” [A Keynesian-structuralist school of thought in Brazil?], (2011), *Brazilian Journal of Political Economy*, 31 (2) April: 305-314.

“**The access to demand**”, (2015), *Keynesian Brazilian Review* 1(1) 1st semester 2015: 35-43

2012 - Why the exchange rate determines growth

“**The exchange rate at the center of development economics**”, (2012), *Estudos Avançados*, 26(75): 7-28.

“**A taxa de câmbio no centro da teoria do desenvolvimento**”, (2012), *Estudos Avançados*, 26(75): 7-28.

“**Why a competitive exchange rate is determinant of economic growth?**” (2019). Note available at the author’s website.

2012 - Mistakes deriving from the foreign constraint

“**Estratégia nem wage-, nem export-led, mas novo-desenvolvimentista**”, (2012), in André de Melo Modenesi, Daniela Magalhães Prates, José Luís Oreiro, Luiz Fernando de Paula e Marco Flávio da Cunha Resende (orgs.), *Sistema Financeiro e*

Política Econômica em uma Era de Instabilidade. Rio de Janeiro: Elsevier/São Paulo: Associação Keynesiana Brasileira, 2012: 26-32.

2011 – The idea of New Developmentalism's microeconomics

I am not sure on when I wrote for the first time on the microeconomics of New Developmentalism (how the market and the state coordinate the economy in a development country), but I remember that I had the idea in a 2011 trip to China. The Chinese divided their economy into two sectors, the competitive and the non-competitive, and established a very simple rule: for the competitive sector, they allow the market to resolve, because the market is much better than the state in coordinating competitive economic sectors; for the non-competitive sector, where the market is ineffective by definition, maintain economic planning by the state.

2013 - Five macroeconomic prices; the value of the foreign money

"The value of the exchange rate and the Dutch disease", (2013), *Brazilian Journal of Political Economy* 33 (3): 371-387.

Developmental Macroeconomics, (2014), with José Luis Oreiro; Nelson Marconi, London: Routledge.

2013-14 - New developmentalism and industrial policy

"Industrial policy and exchange rate skepticism?", (2018), with Fernando Rugitsky. *Cambridge Journal of Economics*, 42(3), April 2018: 617-632.

"The case for reindustrialization in developing countries: toward the connection between the macroeconomic regime and industrial policy in Brazil", (2018), with Nassif, André, Carmem Feijó. *Cambridge Journal of Economics*, 42(2) February 2018: 355-381.

2016 - Determination of the exchange rate

Macroeconomia Desenvolvimentista, (2016), with José Luis Oreiro e Nelson Marconi Rio de Janeiro: Elsevier.

"The Determination of the exchange rate", (2021), with Carmem Feijó, Eliane Cristina Araújo, Texto para Discussão Centro do Novo Desenvolvimentismo. To be published at the *Journal of Structural Change and Economic Dynamics*.

2016 - Distinction between developmentalism as a theory (classical and new) and as a historical reality.

"Reflecting on New Developmentalism and Classical Developmentalism", (2016), *Review of Keynesian Economics* vol. 4 n. 3: 331-352.

2019 - Current account policies

The fact that many countries adopt current account policies is implicit in my 2008 paper on the Dutch disease. In 2015 I explained the tendency to the cyclical overvaluation of the exchange rate with “habitual policies”, including a deficit capitalism current account policy. I only fully expressed the idea in the 2024 book.

“2015 note summing up of new developmentalism” (2015) EESP/FGV, July 2015. Available at the author’s website.

“Policy constraints, current account deficits, and competitiveness-oriented macroeconomics” (2019). Paper presented to the AFEP/IPE conference, “Penser l’économie de demain et le futur de l’économie politique”, Lille, July 3-5, 2019. I didn’t submit it to any journal because it was not complete. I just left it in the archive “Incomplete papers”. Now (2023), I understood later on adequate if not necessary to publish at the website. ***New Developmentalism – Introducing a New Economics and Political Economy*** (2024) Cheltenham: Edward Elgar Publishing. Written in 2022 and 23.

New Steps in the construction of New Developmentalism (2023) To be published in the *Brazilian Journal of Political Economy*.

2019 - Macroeconomic policy constraints

“Policy constraints, current account deficits, and competitiveness-oriented macroeconomics” (2019). Paper presented to the AFEP/IPE conference, “Penser l’économie de demain et le futur de l’économie politique”, Lille, July 3-5, 2019. I didn’t submit it to any journal because it was not complete. I just left it in the archive “Incomplete papers”. Now (2023), I understood later on adequate if not necessary to publish at the website. **2019 - The liberalization trap**

“Why did trade liberalization work for East Asia but fail in Latin America?”, (2019), *Challenge* vol. 62 n. 4: 273-277. DOI: 10.1080/05775132.2019.1632526. Em português: “A armadilha da liberalização: Por que a América Latina parou nos anos 1980, enquanto o Leste da Ásia continuou a crescer?”. *Brazilian Journal of Political Economy*, 40(2), 405-410. 2020. <https://doi.org/10.1590/0101-31572020-3125>.

“An alternative to the middle-income trap” (2020) com Eliane Cristina Araújo e Samuel Costa Peres. *Structural Change and Economic Dynamics*, 52 (2020): 294-312. <https://doi.org/10.1016/j.strueco.2019.11.007>. Versão em português completa, disponível em www.bresserpereira.org.br.

2022 - Causes of the tendency to overvaluation

New Developmentalism – Introducing a New Economics and Political Economy (2024) Cheltenham: Edward Elgar Publishing. Written in 2022 and 23.

New Steps in the construction of New Developmentalism (2023) To be published in the *Brazilian Journal of Political Economy*.

2023 - Current account deficit policy

New Steps in the construction of New Developmentalism (2023) To be published in the *Brazilian Journal of Political Economy*.

2023 - Expanded Dutch disease

New Steps in the construction of New Developmentalism (2023) To be published in the *Brazilian Journal of Political Economy*.

History of economic thought and New Developmentalism

“From classical developmentalism and post-Keynesian macroeconomics to new developmentalism” (2019) *Brazilian Journal of Political Economy* (39)2 April: 187-210. Also in Portuguese in the same journal: 211-235.

“Brevíssima história da teoria do desenvolvimento. De Schumpeter e Prebisch ao novo desenvolvimentismo” (2021). Texto para Discussão 554 EESP/FGV, 2021

“A brief history of development theory. From Schumpeter and Prebisch to New Developmentalism” (2022) com José Luis Oureiro. To be published.

Successive summaries of New Developmentalism

“O novo desenvolvimentismo e a ortodoxia convencional” (2006) *São Paulo em Perspectiva* 20(3) junho 2006: 5-24. Texto para Discussão EESP/FGV n.º.156, 2006. In English: *“The new developmentalism and conventional orthodoxy”*, *Economie Appliquée* September 2006, 59(3): 61-94.

“Macroeconomia estruturalista e novo desenvolvimentismo” (2010) com Paulo Gala, *Revista de Economia Política*, 30 (4), outubro 2010: 663-686.

“Reflecting on new developmentalism and preceding classical developmentalism”

2016 - *Review of Keynesian Economics – ROKE*, 4 (3): 331-352. DOI:

10.4337/roke.2016.03. Em português: “Reflexões sobre o Novo

Desenvolvimentismo e o Desenvolvimentismo Clássico”, *Brazilian Journal of Political Economy*, 36 (2) abril 2016: 237-265.

2016 “Teoria novo-desenvolvimentista: uma síntese”, *Cadernos do Desenvolvimento*, v. 11, n. 19, pp.145-165, jul.-dez. 2016.

“New Developmentalism: development macroeconomics for middle-income countries”, (2020), *Cambridge Journal of Economics*, 44 (3), May 2020: 629-646. It is the best summary I could make to this day of New Developmentalism. I owe a lot to both reviewers of that journal.

Some applications

Macroeconomia da Estagnação: crítica da ortodoxia convencional no Brasil pós-1994 (2007), São Paulo: Editora 34. In English, actualized: ***Developing Brazil: Overcoming the failure of the Washington Consensus*** (2009), Boulder: Lynne Rienner Publishers.

"The global financial crisis, neoclassical economics, and the neoliberal years of capitalism", (2010), *Revue de la Régulation*, 7, 1st semester 2010: 1-19.

"An empirical study of the substitution of foreign for domestic savings in Brazil" (2014), with Eliane Araújo and Paulo Gala. *Economia Journal* (ANPEC) 15 (1), 2014: 54-67. Portuguese version in the same journal.

"Sovereignty, the exchange rate, collective deceit, and the euro crisis" (2015), with Pedro Rossi, *Journal of Post Keynesian Economics* 38 winter/spring 38 (3): 355-375.

"Brazil's macroeconomic policy institutions, quasi-stagnation, and the interest rate-exchange rate trap" (2018) in Edmund Amann, Carlos Azzoni and Werner Baer, eds. *The Oxford Handbook on the Brazilian Economy*, Nova York: Oxford University Press: 221-240.

"An alternative view to the middle-income trap", (2020), with Eliane Cristina Araújo e Samuel Costa Peres, *Structural Change and Economic Dynamics*, 52 (2020): 294-312.

¹ I refer to Edmar Bacha, Francisco Lopes, Pêrsio Arida, and André Lara Rezende. The later was back to heterodoxy around 2018.