

Five years later

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Liberalism gave way to developmentalism as a way of organizing capitalism in the world

Five years ago, in October 2008, arose the global financial crisis that, given its severity, changed the world as did the crisis of 1929. This banking crisis of great magnitude was still not overcome by the rich countries, and continues to lower the growth rate of middle-income countries such as Brazil.

The United States and Japan are slowly resuming development; the Eurozone remains stagnant, but this is not due to the financial crisis, but rather to the huge mistake that is the euro.

Was this crisis powerful enough to modify capitalism? Yes. The crisis determined the end of Capitalism's 30 Neoliberal Years (1989-2008). Today, few people continue to state that the market is able to efficiently regulate the whole economy and, therefore, that we should deregulate, liberalize, privatize everything. Liberal theories were again disproved, and economic liberalism was once again demoralized, together with the neoclassical economics that acted as its "scientific" legitimation.

At the height of the crisis it became clear to all that the State is every country's fundamental institution. That, in times of crisis, each country must rely on it. That the moderate regulation and intervention it exerts are fundamental to the good operation of a market economy.

Quietly, without ideological speeches, what we see all over the world is the abandon of economic liberalism and the strengthening of developmentalism. Instead of the aggressive neoliberal *laissez faire*, the States are once again defending their business enterprises and promoting economic development.

The governments of the two countries in which neoliberalism was born – the United States and the United Kingdom – decided to promote their reindustrialization, something unimaginable ten years ago, when it was usually said that the market would take care of allocating the factors of production in an always optimal way. The Doha Round was abandoned. Trade protection measures are multiplying in all countries. *The Economist* recently complained, in a fifteen-page report, that the world was once again "creating fences". The financial system is again under regulation, although insufficiently and even if the problem represented by the expression "too big to fail" has not been solved.

All this means that economic liberalism once again gave way to developmentalism as a way of organizing capitalism. That it is recognized that

a moderate economic nationalism and an equally moderate intervention of the State in the economy is more rational than market fundamentalism.

This is a change for the better. Capitalism ceases to be so unstable and inefficient as it was in the neoliberal years. But nothing yet guarantees that we are back to the social democratic developmentalism of Capitalism's 30 Golden Years.

Neoliberalism managed to add flexibility to employment contracts, to make more competitive the rich countries' business enterprises, as compared to those in fast-growing Asian countries, but it was unable to destroy the Welfare State established in the postwar period.

We currently live a period of transition. The fate of capitalism is pending. Europe, where the most advanced type of capitalism flourished – the developmentalist and social capitalism – is paralyzed by the euro. At this moment, new ideas are needed to overcome this deadlock, and, more broadly, the deadlock created by the global crisis.