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In the last 40 years the concept of development has expanded and has become more fragmented. On the one hand, economic growth is no longer seen as a panacea that brings social benefits. On the other hand, environmental concerns have shown how important it is to think through what kind of development is wanted. That is why at the present day, we speak of concepts such as sustainable development and human development

[Cardoso, 2002]

1. Introduction

At the beginning of the 19th century, important challenges needed to be addressed. A gamut of unsolved problems and obstacles caused by human action has caused assessments and prospective analyses to emphasize the role of science. Saraiva relates in his book *Contemporary International Relations: From the construction of the liberal world to Globalization – from 1815 onwards*:

“The chapter of political science that focuses on international phenomena is being redefined. The theories and models adopted have lost consistency at the end of the century” (Saraiva, 1997: 17).

When Saraiva wrote the book, in 1997, it was not imagined that the major superpower in the planet – the USA – would suffer the greatest terrorist act of history. September 11 marks world history and raises several questions on the current world order. Is globalization the cause for this tragedy? Is the neo-liberal paradigm inadequate to Latin America and developing nations? Is the decadence of the National State a factor? Or the increase in social inequality and poverty, as well as the lack of recognition of other cultures are the culprits?

The purpose of this paper is to evaluate the current state of the neoliberalism paradigm and the Washington’s Consensus in Brazil. The goal is to analyze and propose a socio-economic reinsertion (goals which are, at the same time, macroeconomic, of social development and strengthening of democracy) for the countries of the South, in light of Joseph Stiglitz’s affirmation:

“The Consensus of Washington defended the use of a small set of instruments (including macroeconomic stability, free trade and privatization) to reach a relatively limited goal (economic growth). The Post-Washington consensus acknowledges that a more ample set of instruments is necessary [...] We seek improvements in the different levels of life, as well as in the health and education sector, and not just increments in the gross domestic product that is calculated. We seek sustainable development that includes the preservation of natural resources and the maintenance of a healthy environment. We seek the just development, which guarantees that all groups of society, not just the high levels, enjoy the benefits of development [...]” (Stiglitz, 1998).

We intend to analyze the tension prevalent in the anti-hegemonic thought, as well as the current impasse the world is in. It is important to note that forecasts are valid. Each faction has its viewpoint and analyses. There are no mathematical formulas or absolute certainties. Nevertheless, all parts agree that the current international order needs to be reassessed, reevaluated and reapplied.

It is believed that it is not exactly the end of a civilizatory era, or a large economical or technological cycle, but rather it is a reflection about pendencies in the present time, aiming at promoting sustainable development and a democratic, plural, and united world.

2. An Analysis of the Neoliberal Paradigm

In October of 1989, the world saw the fall of the Berlin Wall, symbolizing the end of the Cold War. Two years later, the Soviet Union and the socialist world would disappear from Eastern Europe. The countries of the South embraced a different policy from the one adopted in previous decades. The boundaries were opened, privatizations began being implemented and the State's role was reduced, not to mention monetary adjustments and strong confidence in the markets. The South was being integrated into neoliberalism.

The root of neoliberalism, in the context of development countries, lies on the so-called Washington Consensus. The latter is a document written in 1990, with the support of the IMF and the World Bank that intends to define a desired behavior for the third world economies. Magalhães (2000) contends that part of this document seeks to describe the foundation of a developmental policy, highlighting the need for establishing the following goals: monetary balance, fiscal balance and foreign exchange balance. Furthermore, in a different section of the document, there is an ideological bias when the proposal for unrestricted opening to imports and foreign capital is presented. The same bias is found in the argument that the market is the only regulator instrument for the economy.

The basic argument in the Washington Consensus is that there is no such a thing as *developing nations*, but instead, there are nations that do not exhibit a *good behavior*, or in other words, there are countries that do not follow the neoliberalism recipe. When an economy is deregulated, privatized and open, the state need not provide stimulus for development to blossom. In the neoliberalism, there is no room for developmental policy. When the state intervenes trying to help, it hinders the free functioning of the markets. The second argument, which follows from the first, is that the dynamic processes of developing nations repeats the historical experience of the current developed nations that already have mature economies. Whatever works for developed nation is therefore immediately applicable to developing nations.

The historical context of the neoliberal agenda is the end of the Soviet Union and its flat economy managed by the state. There is, however, a misinterpretation of this historical phenomenon. In the socialist countries, the production activities were exclusive responsibility of public enterprises and the economy was directed by the administration.

The proposal presented to the developing nations was that production activity should be led forward by private companies, and that the economy should be steered by the markets. What we have here is that the role of public power is distinct in the two cases. Thus, based on the failure of the socialist experience, it is incorrect to condemn government initiatives on the economy of developing nations.

Concurrently, the document ignored the fact that the end of the socialist economic model overshadowed a more critical vision of the capitalist economic model. In the capitalist model for instance, until the end of World War II, a proposal to reduce social and economical inequalities in the developing nations was inexistent (such nations were advocates of strict liberalism). Absence was a policy targeting the elimination of the economical gap.

During that time, occasional government interventions were exclusively to solve conjunctural problems. Everything else would be solved by the markets. This liberal policy, as we now know, has left a legacy of poverty, economic recession, and dependence.

What we see currently is a blatant weakening of the neo-liberal proposals, particularly in the developing nations. This is further attested by the various economic set backs affecting Latin American countries including Ecuador, Brazil, Venezuela, and Argentina, all cohorts of the Washington Consensus. Nonethe-

less, a strong political propaganda seeks to cover up this reality. The so-called benefits of globalization are no longer evident. According to Chomsky:

“As regards the economical consequences of the neoliberal measures of the past 30 years, the economic effects are datable, but it is clearly understood that these measures undermine democracy; they essentially make it impossible” (Chomsky, 2004: 22).

The gap between rich and poor due to inadequate income distribution, places the modernity defended by the globalists in a disadvantageous situation. The effects caused by these differences are staggering, and at the same time they are set aside by the powers of the North that ignore the importance of human rights. As the 21st century unfolds, it is obvious that overcoming poverty is the biggest challenge of the countries in the South. In this respect, Chomsky (2004: 22) adds that the differences cause economic stagnation, political instability and cultural alienation. Consequently, it increases the violence among the *have not* (poor people), who blame the United States as being the source of their suffering.

The increase in crime, public health deficiencies, unemployment, problems with education, the sprouting of *new-poor people*, the perverse circle of exclusion, among others, show how the basic conditions of existence are affected in the countries of the South. Instead of promoting sustainable development, the International Financial Institutions aggravate the picture through goals and instruments that are inadequate to the reality of the peripheral countries.

Sato (2000) mentions in his text *The international agenda after the Cold War*, that with the raise of the economic liberalization, trade prevails over security, which is deemed less important. In *The Rise of the Trading State*, Rosencrance (1986), he makes this argument evident by stating that the political-strategic world would allocate space for the trade world; he adds that the satisfaction of the international economic relations maintained by nations relies more on trade and less on the military strategic capacity.

Effectively, the income difference between the wealthiest and the poorest countries was 3 to 1 in 1820, having increased 72-fold by 1992. Today some 1.3 billion persons live in absolute poverty. That means the neoliberal model enables the deterioration of the social index, turning the situation into chaos. According to Magalhães:

“With respect to those facts, one can remember that during many years the neoliberalism could broadcast without challenge, both in academia and press, the legend that the success of the East Asian highly intervening countries was linked to the fact that their economy was regulated exclusively by the market. An extensive report published by the World Bank in 1993, required by Japan, was needed to disbelieve that thesis” (Magalhães, 2000: 19).

In the Brazilian case, the argument that the country became a better one has some reflection in the economy, given that the injustice and social inequality has grown day after day. The gains with privatization and the opening of the economy to external capital have been absorbed before the changes in the social life of the poor (the majority of the population) could be perceived.

Oliveira says that Brazil, under the administration of Fernando Henrique Cardoso, privatized the government-owned industrial base and unemployment and of-the-books employment, under the government of Lula, reached something like 60% of the economically active population (Oliveira, 2004: 22). Moreover, on the social front Brazil has become the most polarized country in the world (Quijano, 2004: 166). According to the fundamental objectives of the Constitution of the Federative Republic of Brazil, we shall construct a free, solidary and fair society, eradicate poverty and reduce the social inequalities. Have these principles been respected?

The neoliberal paradigm was adopted in Latin American countries in the mid 1980s. By 1990, the system was consolidated in the hands of leaders like Fernando Collor de Melo of Brazil and Carlos Saul Menem from Argentina, among others. The developmental model of the last 60 years had been put aside. Neoliberalism incorporated the following factors: democracy; human rights; economic liberalism; social clause; environmental protection; solidary strategic responsibility (Cervo, 2000).

The most passionate internationalists believed that Latin America had no other outlet to face globalization, other than the adoption of such a system. They also defended that the acceptance of the international market rules could coexist with national pride. Therefore, governments would have to solve the problems related to education, health, unemployment, environment, income distribution and human rights. They also believed that globalization would benefit those countries, where private property and human rights were respected and where individual interests and initiatives were protected by the State. The States would become agencies that adapt the domestic economies to the requirements of global economy.

Among the public policies used by the neoliberals, Cervo (2000) mentions the following:

- high interests rates to maintain the monetary stability;
- economic growth restraint to fight inflation;
- privatization and transfer of public companies to foreign control, to increase competitiveness.

In view of the pressure exercised by the powers of the North, Argentina assumed the new paradigm in a radical way, while Brazil opted for moderation. On the one hand, Brazilian scholars like Saraiva and Cervo observed the similarities between the developmental model and liberalism, while the passionate ones from Argentina discarded the first one, blaming it on the failures in the country. On the other hand, scholars like Raúl Bernal-Meza and Mário Rapoport believed that neoliberalism was harmful to Argentina. The crisis that darkened the country proved them right. Meanwhile, Brazil accompanied the impeachment of President Collor de Melo and passed on to the governance by Itamar Franco –a more moderate leader, who limited the process previously introduced.

Taking into account the crises over many countries in the world, including the ones in Latin America, the neoliberal system is questionable. There is no longer a Latin American strategy but a neoliberal system as a whole. Cervo (2000) emphasizes two aspects in Latin America:

- weakness of the role of security and war, since it is a pacific sub-continent (after the consolidation of the national state);
- introduction of the issue 'development' into the international studies, since it was the vector of the foreign policies of 1930 and 1940.

The gap between wealth concentration and poverty is wide. The poverty index does not correspond to the country's wealth. The UN's report on Human Development proved that 34% of Brazilians live below the poverty line, with some 23 million classified as miserable. Notably, over a universe of more than 190 nations, five have their income concentration inequality index worse than Brazil's: Paraguay, Guatemala, Jamaica, Sierra Leone and the Central Africa Republic.

Notwithstanding, the government refutes the neoliberal label and prefers to be *neo-social*. Unfortunately, the rhetoric has prevailed over the facts. The economic board of the Brazilian government ignores the classification of developing country and tries to repeat all the policies of the North. The truth is that the country does not grow economically, the unemployment and the public deficit increase, and finally the country becomes more dependent on foreign capital in order to pay its foreign debt.

The country lacks long term strategies capable of creating conditions for an annual development growth of 7% (as it was in past years), increasing the state budget and leveling the fiscal problem. This can equally promote growth in the exports under taxes superior than those of the international trade, facilitating the elimination of foreign exchange hurdles.

The government claims that control over the short-term economic unbalance is important to recapture development. However, the government fails to offer alternatives to the official policy. The official policy is exclusively of short-term; and short-term policies cannot possibly solve the problems of the giant Brazil. In other words, in order to reduce the current gap, long term strategies are needed.

The Brazilian foreign policy is pacifist, universal and has a pragmatic character. Moreover, the heterogeneity and cultural diversification function as a cultural barrier against neoliberalism. The objective of Brazil's relationship with foreign countries has always aimed at the searching for the affirmation of national values by means of pragmatic and proper negotiation. In doing that, it preserves unity and the integrity of a national development project, thus assuring the highest possible degree of autonomy for the country's moves.

To give an example of the effect of capitalism, Cristovam Buarque – an ex-governor of Brasilia, the capital of Brazil – defined the picture of social inequality as a *Curtain of Gold* - the curtain that separates the rich from the poor. The political regime or ideology does not matter - this separation is ubiquitous. The liberal world is covered with cultural differences and lack of homogeneity between the identities, showing the need for recognition of the internal complexities of societies. After all, Washington's Consensus contributed to the impoverishment of the American Latin region.

Then, what would be a solution? The 21st century calls for actions instead of rhetoric paths. Joseph Stiglitz's proposal can be a viable alternative as it is a well-built project toward a more democratic world. To complete his proposal, the cultural aspects within each society have to be prioritized and respected by all. The reality is that no model is satisfactory, besides not jeopardizing, in turn, the characteristics of each group and its national identity.

3. An Alternative Paradigm

Joseph Stiglitz proposes to move beyond the Washington Consensus in order to search a broader set of instruments to promote sustainable development. As suggested by Stiglitz, the recommendations of the consensus were insufficient to promote growth and to deal with the different economic structures of developing countries. The objective of the consensus was to promote a strong private sector, liberalize trade and stimulate economic growth through its instruments.

The economic success of the East Asian countries was linked to a package of instruments that went beyond the macroeconomic stability, liberalized trade and privatization. As stated by Stiglitz, what is needed is a robust finance system with governmental participation, not only on its creation but also on its administration in order to mobilize savings and allocate capital efficiently (Stiglitz, 1998).

The sustainable development proposed by the Post-Washington Consensus includes better living standards, health and education of high quality, preservation of the natural resources and the environment. Moreover, the new consensus is to encourage democratic development for all groups in a society, thereby enabling them to participate in the decision-making affecting their lives.

Although it is not easy and even impossible to propose recommendations that can be implemented by all countries, there are principles, instruments, and reforms that can be adapted to the internal scenario of each country (Stiglitz, Post Washington Consensus Consensus). Firstly, a well-structured plan can

not be implemented in the corridors of Washington. The policies should be conceived by the developing countries.

Secondly, the policies that are adequate to one country may not be applied to another. The economic, social and political characteristics of each state are to be considered. Lastly, the countries must have the right to test the suggested policies in order to empirically analyze them and choose the best ones.

In other words, a “greater degree of humility is needed - the frank acknowledgment that we do not have all of the answers. Continued research and discussion not just between the World Bank and the International Monetary Fund, but throughout the world is essential if we are to better understand how to achieve those many goals” (Stiglitz, 1998).

One of the problems, pointed out by Stiglitz, refers to the privatization and liberalization of commerce. The consensus considered them as ends in themselves rather than as means capable of promoting a sustainable development. The price stability was more important than the production growth, so did the control over budget deficit and the increase of Federal Reserve instead of turning the financing institutions stronger.

If the Washington consensus can be considered the recipe book of neo-liberalism, how can they be used in different countries, taking into account that the ingredients are unequal? In this sense, Stiglitz says that there are policies that can increase the equality and the product (Canuto, 1998).

For instance, when a country fails to offer high quality public education, the final result is lame, because a part of the citizenship is unable to access private institutions. However, a country that invests in quality education promotes economic development, social equality and democracy. This facilitates the political stability that is the precondition for the long term economic development. Some Asian countries, such as Japan and South-Korea, invested large amounts of money in human capital with very positive results. A citizen capable of critical thinking can effectively participate in the political decision-making.

The Post-Washington Consensus is based on a competitive economy in order to dissipate the benefits of free trade and privatization over wealth creation. Similarly, the market will not fulfill expectations unless the public investments in human capital and in technology transfer are sufficient.

In summary, the Washington Consensus, preoccupied in diminishing inflation, implemented inadequate policies for long-term development. The anti-inflationary goals have not been met, and inflation process has not been historically understood. Moreover, Stiglitz questions the efficiency of the so-called privatization policies. The State in the Post-Washington Consensus is responsible for regulating the economy, through the implementation of social well-being and industrial policies for the population.

5. Conclusions

Stiglitz's proposal incorporates into the Washington Consensus essential instruments for the economic development of a country. These instruments include, among others, high quality education and health care, better living standards, preservation of the natural resources and the environment. Boron (2005) adds that the post neoliberal policies should include the State reconstruction, tax reform, reform of the democratic institutions, universal access to media and decommodification.

I would like to utilize this conclusion to hold the thesis that no development proposal is considered to be good enough without the recognition of the cultural values of each nation. The issue is of relevance and, if resolved or at least respected, it can facilitate the unfolding of a better world.

Culture and its vast field of knowledge are among UNESCO's most important objectives. Through its World Commission for Culture and Development,

UNESCO propagates the new world tendency. The Commission recognizes that the human civilization is a mosaic of different cultures. A politically independent and emancipated nation must have its own life style with values, rights and responsibilities. The UN arm for culture and education agrees that societies have been led to question the west hegemonic values, as well as its universal rules. The modernization ideas brought the importance of recognizing not only the universal values that guide a universal ethic but also the own value of each nation.

On the one hand, cultural conflicts such as civil wars and authoritarian regimes were established in the less developed countries. On the other hand, the thriving development of East Asian countries was possible through the hybridism between rich and poor and the administration of cultural differences.

Some societies have been tempted by the importance of a cultural plurality in the search for dignity, equality and development. The improvement in life conditions of a society results in progress. Thus, culture explains social transformation and shapes human behavior.

Globalization and its consequences led to a search for harmony among cultures – a fructiferous coexistence that does not promote conflicts. I have to recognize and respect the *OTHER*. Thus, humanity will be prepared to face unstable moments and competition brought by the technological era. According to the UNESCO's report, published in 1997:

“The challenge faced by humanity is to adopt new ways of thinking, new ways of action, new types of social organization and new life style. The challenge is also to promote different ways of development based on the recognition that cultural factors hammer out the way societies see their future and chose means to build it”.

Finally, the world expects a North American decision towards a new era of growth without social and cultural injustice. In other words, a growth leading to a century marked with peace instead of violence. The future of Latin America lies in the hands of those interested in a better world, without the dominance of hegemonic states and their interests. Stiglitz's ideas, together with the need to recognize and respect the different cultures, must be taken into consideration by the developing countries of the South.

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