

Alternate Paths to Economic Development: A Comparative Analysis of Brazil and India in the Era of Neoliberalism

By

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Abstract

This paper compares and contrasts Brazilian and Indian strategies of development during the era of neo-liberalism. At the surface there are striking similarities between the development strategies of the two regions. Both economies have integrated themselves deeply into the world economy and they have emerged as major exporters of sophisticated goods and services. Both have embraced markets but far from limiting their government much of their economic success is attributable to active state intervention. But underlying all these similarities there are far reaching differences. In the case of Brazil, radical labour market interventions and welfare schemes have created an inclusive process of growth. On the other hand, in India the developmental approach has promoted an exclusionary form of growth where the very process of growth has become contingent on wage declines and low employment growth.

In order to explain why the two countries have followed such distinct paths this paper analyzes some important differences between the two economies. The central argument that is made here is that in India neoliberalism was carried out gradually and sequentially, allowing the economy to grow at a fast pace without exposing it to the vagaries of international markets. By virtue of this gradualism, big capital, new middle classes and agrarian elites have come to benefit greatly from the pro-capital economic project. Further, the rise of this cohesive social coalition in support of the pro-capital project has gone hand in hand with a weakening of working class resistance. In contrast, in Brazil neoliberalism was undertaken within the context of a severe economic crisis. With macroeconomic stability assuming greater importance than economic growth, Brazil chose to follow deflationary economic policies throughout the 1990's. As in most transitioning economies, the poorer classes faced the brunt of structural adjustment. However Brazilian industrial interests, agricultural elites and the middle classes were adversely affected as well. The relative inability to form a coherent

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dominant coalition has gone hand in hand with a strengthening of popular resistance, pushing the country on an egalitarian path of development.