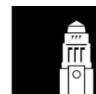

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da Silva, PP orcid.org/0000-0002-2469-0996 (2023) Post-neoliberalism and capital flow management in Latin America: assessing the role of social forces. Journal of International Relations and Development, 26 (1). pp. 30-60. ISSN 1408-6980

https://doi.org/10.1057/s41268-022-00272-0

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Post-Neoliberalism and Capital Flow Management in Latin America: Assessing the role of social forces

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Abstract

This article discusses why Latin American post-neoliberal parties have varied in their strategies of capital flow management. In brief, I propose that two complementary channels favor the pursuit of heterodox strategies: high degree of pressure from popular sectors that push for an immediate macroeconomic reorientation, and strategic allies among economic elites that mitigate the credibility losses associated with this decision. The comparative case-study on Argentina under Kirchnerism (2003-2015) and Brazil under the Workers' Party (2003-2016) provides support for this argument. In the former case, the ruling party had to address the demands from strong and autonomous unions and social movements, while counting on a strategic alliance with domestic manufacturing producers. In the latter, conversely, the governing party lacked strategic allies among economic elites and could overlook the agenda of weak and subordinated popular organizations. In other words, both popular and elite channels favored the adoption of a heterodox strategy of capital flow management by Kirchnerism, while neither of them did in the case of the Workers' Party. In Argentina, the option for heterodoxy also contributed to the repoliticization of capital flow management by returning the visibility of this policy issue and impelling policymakers to go beyond technocratic discourses.

Keywords: Capital Flow Management; Post-Neoliberalism; Heterodox Economics; Politicization; Argentina; Brazil.

1. Introduction

In the late 1990s and early 2000s, heterogenous social groups resisted further economic liberalization across Latin America, fueling the support for left-of-center parties (Yates and Bakker 2014). Taking different forms across the region, this Polanyian countermovement led to the rise of post-neoliberalism – a set of political-ideological projects that sought to resubordinate the economy to society without fully breaking with market-oriented governance (Grugel and Riggirozzi 2012).

The position towards cross-border financial flows is illustrative of post-neoliberalism. On one hand, administrations led by post-neoliberal parties increased the level of capital controls even before the 2007 Global Financial Crisis (see Table A1). On the other hand, most of the new cross-border restrictions did not challenge the long-run commitment to capital mobility (see Table A2), complying with the revised view of the International Monetary Fund (IMF), which admitted macroprudential regulations and temporary price-based inflow controls (IMF 2012a).

One exception to this trend was Argentina under Kirchnerism (2003-2015). Before the 2007 crisis, contrary to the contemporary IMF prescriptions, the government introduced an unremunerated deposit for all kinds of capital inflows (Aytac and Onis 2014). After the crisis, Kirchnerism went even further by imposing many outflow controls (Steinberg 2017). These pervasive restrictions were followed by other measures with repercussions for money flows such

as the renegotiation of external debt, the taxation of primary exports, and the use of official reserves to reduce the cost of interest payments (Wylde 2016). To legitimate this strategy, policymakers returned visibility to the political character of capital flow management, which became an issue of mass politics (Steinberg and Nelson 2019).

The specificities of the Argentinean path became clearer in comparison with the case of Brazil under the Workers' Party (2003-2016). In this country, before the 2007 crisis, the government welcomed the growing capital inflows, which were used to accumulate official reserves, ease the debt constraint, and tame inflationary pressures (Fritz and Prates 2018). After the crisis, despite increasing the level of controls and denouncing the so-called currency war at international forums, the Workers' Party deployed only cyclically-adjusted and market-friendly inflow regulations, keeping distance from administrative restrictions and outflow controls even with the external deterioration that followed the Federal Reserve (FED) taper tantrum in 2013 (Gallagher 2015a, 2015b). Throughout this period, policymakers framed their choices as technical, rule-based decisions that were fully compatible with the mainstream economic consensus (Alami 2019a, 2019b, 2019c).

Building upon Fritz and Prates (2014), Kaltenbrunner (2016), and Rafferty (2017), I describe these experiences as examples of two opposite post-neoliberal strategies of capital flow management. When pursuing a *heterodox strategy*, such as the one embraced by Kirchnerism in Argentina, state managers attempt to restrict a broad set of capital flows through both administrative and price-based controls, which are complemented by active management of official reserves, public debt, and even current account transactions. Conversely, when following an *orthodox strategy*, like the one adopted by the Workers' Party in Brazil, state managers keep a

long-run commitment to financial openness, limiting policy tools to selective and market-friendly regulations.

Against this background, this article discusses why post-neoliberal parties have adopted different strategies of capital flow management. Departing from studies that emphasize the role of economic structure and political institutions (Campello 2015; Flores-Macías 2012; Weyland 2009), I shed light on how social forces shaped the implementation of economic policies that deviate from neoliberal governance.

In brief, I argue that two conditions contribute to post-neoliberal parties choosing a heterodox strategy of capital flow management. First, a high degree of pressure from popular sectors – stemming from strong and autonomous labor unions and territorial social movements – favor heterodox initiatives by increasing the government's need for macroeconomic policy autonomy (Etchemendy 2021; Murillo 2000). Given this pressure from below, the existence of strategic allies among economic elites – like, for example, part of manufacturing producers – enables the option for heterodoxy by compensating credibility losses that such strategy could cause (Paster 2018; Wolff 2016).

To assess this theory, I compare the cases of Argentina under Kirchnerism and Brazil under the Workers' Party. In addition to this cross-case analysis, the long duration of these post-neoliberal experiences also allows a within-case analysis for both countries by contrasting the periods before and after the Global Financial Crisis.

This article contributes to the literature regarding the role of social forces in capital flow management by shedding light on what drives the choice between different reregulation strategies. Moreover, it presents a coalitional argument for the post-neoliberal diversity that followed the Latin American left turn. Finally, it adds to the debate centered on the politicization of economic

policymaking by exploring the relationship between different varieties of capital flow management and framing strategies of state managers.

The remainder of this article is organized as follows. The second section engages with the literature on social forces and the reregulation of capital flows. The third section introduces the theoretical framework. The fourth section outlines the research design. The fifth and the sixth sections analyze the cases of Argentina and Brazil. The seventh section addresses the issue of collinearity, and finally, the eighth section presents the final remarks.

2. Social underpinnings of the reregulation of capital flows

As mentioned in the introduction, this article puts forward a coalitional argument for the variegation that has characterized post-neoliberal capital flow management in Latin America. In this regard, two political economy perspectives focus on the role of social forces in the reregulation of capital flows by countries that have already removed most of their capital controls.

Drawing on the literature that focuses on how interest groups shape economic policymaking, Gallagher (2015a, 2015b), Pepinsky (2008), and Naqvi (2021) take capital mobility as a key constraint to national policy space. Building upon a dichotomous opposition between states and markets, this approach assumes that any kind of cross-border financial restriction leads to an automatic increase of policymakers' ability to pursue their goals. Consequently, there is little criticism of the depoliticization of capital flow management by state managers, which is expected to result in the same clear-cut gains of policy space while moderating the opposition from harmed interests.

Despite acknowledging the importance of external conditions, the aforementioned scholars give theoretical priority to the position of domestic groups, whose support is perceived as a key enabler of the reregulation of capital flows. This apparent convergence, however, hides crucial differences regarding the specific role of social forces. For example, Naqvi (2021) focuses on how the strong mobilization of popular sectors empowers policymakers to implement nationalist financial policies, overlooking the role of domestic economic elites. Pepinsky (2008), for his part, pays little attention to popular mobilization, analyzing the decision to reestablish capital account restrictions as a result of the government's reliance on an alliance between workers and industrialists. Finally, despite listing the support from labor unions and manufacturers as factors that favor the deployment of controls, Gallagher's (2015a, 2015b) inductive argument includes ideational, institutional, and interest-based variables, remaining unclear about their relative importance.

Departing from the state-market dichotomy, Marxist scholars like Alami (2019a, 2019b, 2019c) and Soederberg (2002) analyze capital flow management as part of the endeavor to safeguard capitalist accumulation and class-based dominance. This historical materialist perspective unveils that cross-border restrictions at the capitalist periphery are usually functional for the long-term maintenance of capital mobility, reinforcing a subordinate pattern of financial integration. According to this nuanced view, the option for market-friendly controls within the confines of a depoliticized management ends up decoupling the financial reregulation from its transformative potential.

Considering the subordinate position of peripheral countries, the starting point of the aforementioned Marxist perspective lies in the global movement of money and financial capital. However, this does not mean that Alami (2019a, 2019b, 2019c) and Soederberg (2002) neglect the

role of domestic social forces. For instance, these scholars posit that the working classes have an active (though indirect) impact on capital account restrictions, which are used by the state to control and integrate workers as well as mitigate the financial instability that emerges from class struggle. Domestic manufacturers, on the other hand, are not expected to be serious supporters of capital controls as financialization blurred their interests concerning capital mobility and exchange rates.

Moving back to my research question, it is important to note that none of the reviewed perspectives put their analytical focus on comparing different reregulation strategies[1]. In the case Gallagher (2015a, 2015b), Pepinsky (2008), and Naqvi (2021), for example, the debate on coalition-building could allow a deeper discussion about variegated reregulation; however, the automatic link between further controls and increased policy space ends up overlooking the differences between restrictions that challenge the mainstream consensus about capital mobility and regulations that remain in its confines. Moreover, these scholars tend to limit the role of social forces on capital flow management to the decision of deploying controls, neglecting their impact on the specific design of these regulations.

With respect to the Marxist perspective, on one hand, the critical assessment of deployed controls and the emphasis on class dynamics are key analytical tools for contrasting reregulation trajectories. On the other hand, as both strategies are committed to the reproduction of capital accumulation and capitalist class rule, there is little discussion about what conditions make peripheral capitalist states reregulate capital flows through pervasive restrictions instead of market-friendly regulations. Similarly, the analysis of peripheral manufacturers shows a well-grounded skepticism about their clear-cut support for capital controls, reserving little space for the analysis

of how the existence of allies among economic elites affects policymakers' choices regarding capital flow management.

Against this background, in the next section, I propose a theoretical framework centered on how the relationship between social forces and Latin American post-neoliberal governments contributed to variegated strategies of capital flow management. In this sense, I rely on the Polanyian political economy to characterize Latin American post-neoliberalism and the resulting policy diversity. After that, I build upon the literature on Latin American market reforms and the subsequent left turn to draw expectations about the role of popular sectors and economic elites in the reregulation of capital flows by post-neoliberal parties.

3. Latin American post-neoliberalism and capital flow management: towards a theoretical framework

According to Polanyi (1980), capitalism evolves around the so-called double movement, namely the tension between the impulse for marketization and the resistance to the subordination of society to self-regulating markets. Building upon this perspective, Ban (2016) conceives neoliberalism as a set of ideas and policies that seek to expand the market realm by institutionalizing trade and financial openness, public finances benchmarked by market credibility, and growth strategies centered on external and internal competitiveness.

On one hand, the rise of neoliberalism meant a global push for the adoption of liberalizing policies such as capital account liberalization, privatization of public services, and labor market flexibilization (Ban 2016). On the other hand, the dislocations perpetrated by unleashed market forces motivated heterogenous social groups to demand protective measures (Sandbrook 2011).

Reflecting different socio-political coalitions and international constraints, these Polanyian countermovements paved the way for variegated policy regimes (Bohle and Greskovits 2012).

The Polanyian approach is useful in understanding the emergence of post-neoliberalism in Latin America. Despite obtaining some progress with inflation control and access to new technologies, the market reforms of the 1990s led to financial instability and socioeconomic deterioration, which fostered a widespread societal reaction (Gwynne and Kay 1999). Taking advantage of this Polanyian countermovement, left-of-center parties went beyond their core constituencies, such as labor unions and territorial social movements, and built what Saad-Filho (2007) defined as the "Losers' Alliance," composed of unionized workers, domestic manufacturers, unorganized and unskilled workers, and even some rural producers.

This need for appealing to broader social groups forged the so-called post-neoliberalism, a set of political-ideological projects that attempted to resubordinate the economy to society by reinforcing state functions and expanding social protection (Grugel and Riggirozzi 2012). Entering office in the late 1990s and early 2000s, post-neoliberal parties resumed some forms of economic interventionism while avoiding a rupture with market-oriented governance (Yates and Bakker 2014). As a result of distinct class dynamics at the national level, the rise of post-neoliberalism led to variegated policy regimes, which varied from moderate to radical challenges to inherited neoliberal practices (Féliz 2011).

Capital flow management is a good example of the implications of Latin American post-neoliberalism. As expected, once in power, almost all post-neoliberal parties deployed new cross-border restrictions, decreasing the level of financial openness of their respective countries (Fernandez et al. 2016). From a Polanyian perspective, this initiative can be interpreted as both a

reaction to the 1990s capital account liberalization and an attempt to protect society from destabilizing capital movements (Silva 2021).

A more detailed analysis of capital flow management under post-neoliberalism also illustrates the transformative limits of Latin American countermovements. Accordingly, in most countries, the reregulation of capital flows remained within the confines of economic orthodoxy. For Fritz and Prates (2014), Kaltenbrunner (2016), and Rafferty (2017), an orthodox capital flow management keeps a long-term commitment to financial openness, avoiding measures that could threaten capital mobility. After the 2007 crisis and the emergence of the New Welfare Economics, the orthodox position, consolidated in the new IMF view (2012a), included temporary, market-friendly regulations over short-term inflows in its toolkit (Jeanne and Korinek 2010). Being aligned with IMF prescriptions, the restrictions deployed by most post-neoliberal parties were mostly price-based and affected only some transactions (see Tables A1 and A2).

It is important to note, however, that policy variegation has also been a key feature of post-neoliberalism (Yates and Bakker 2014). Consequently, there were instances of heterodox capital flow management, leading to measures that diverged from the IMF toolkit such as administrative regulations, outflow restrictions, and comprehensive inflow controls (see Tables A1 and A2). In some cases, these capital account policies were also complemented by other heterodox measures with repercussions for capital flows such as debt renegotiation and current account restrictions.

As mentioned in the introduction, my contribution to the analysis of this policy variegation lies in the relationship between ruling parties and social forces. In line with the Polanyian approach put forward by Bohle and Greskovits (2012), I am interested in how contradictory social forces have shaped the translation of countermovements against neoliberalism into specific policy regimes. Drawing from the literature on Latin American market reforms and the subsequent left

turn, I argue that specific features of the post-neoliberal coalition impaired the adoption of a heterodox strategy of capital flow management.

For example, concerning its core constituencies (Gibson 1996), the electoral triumph of post-neoliberalism did not mean a full recovery of popular sectors' bargaining power and their capacity to push for deeper macroeconomic transformations (Loureiro 2018). Besides structural trends like deindustrialization, this political fragility resulted from the low rates of unionization and the organizational subordination of unions and social movements to post-neoliberal parties (Yates and Bakker 2014; Schipani 2021). Finally, in some cases, popular organizations had difficulties mobilizing against capital mobility due to the perception that dollarization and currency overvaluation would increase purchasing power (Gallagher 2015a).

Similarly, even though the rise of post-neoliberal parties counted with allies among domestic economic elites, this relationship was permeated by historical suspicions, being more a reflection of the region's socioeconomic deterioration than a deep agreement on development strategies (Grugel and Riggirozzi 2012; Saad-Filho 2007). Therefore, considering the structural power of business (Paster 2018; Wolff 2016), it is likely that resorting to more restrictive regulations, like the ones that compose a heterodox strategy, would harm post-neoliberal parties' credibility with economic elites, which could interpret this move as a rupture with rule-based policymaking or even a threat to the market economy (Campello 2015; Naqvi 2021).

In this regard, it is important to note that post-neoliberal parties entered office after the depoliticization of economic policymaking. This process of placing at one remove the political character of decision-making, including initiatives like the increase of central bank autonomy, the establishment of inflation targeting rules, and the dissemination of a discourse centered on the lack of alternatives to orthodox policies (Burnham 1999). Inheriting a depoliticized policy regime

favors the option for an orthodox capital flow management through two complementary channels. First, it may reduce the influence of the ruling party over key issues, requiring large political support to reinstate democratic control over policymaking (Dönmez and Zemandl 2019). Additionally, depoliticization is instrumental to curb the pressure of core supporters, allowing the governing party to deflect responsibility for the maintenance of neoliberal policies (Soederberg 2002).

Against this background, I propose that two conditions contribute to post-neoliberal parties pursuing a heterodox strategy of capital flow management. First, I argue that the option for heterodoxy depends on a high degree of pressure from popular sectors, which usually demand expansionary macroeconomic policies in exchange for political backing. Accordingly, when labor unions and social movements are strong and autonomous, post-neoliberal administrations have to deliver a deeper economic reorientation to secure support from these core constituencies (Murillo 2000; Schipani 2021). By requiring additional policy autonomy and further control over cross-border transactions, the pursuit of a bolder agenda propels post-neoliberal parties to adopt a heterodox strategy of capital flow management.

However, even when meeting pressure from below, the deployment of heterodox measures is not exempt from costs as these measures tend to harm the credibility of post-neoliberal administrations with economic elites. Therefore, I contend that the existence of strategic allies among these elites helps to compensate credibility losses, giving further impulse to heterodoxy (Gallagher 2015a, 2015b; Paster 2018). As such, the notion of strategic allies refers to domestic capitalists that adhere to the development strategy pursued by post-neoliberal parties instead of conditioning the support to the preservation of orthodox policies.

In comparison to other elite groups, it makes sense to expect that manufacturing producers will be more open to becoming strategic allies of post-neoliberal parties. This convergence stems from the post-neoliberal commitment to reindustrialization (Yates and Bakker 2014). This does not mean, however, automatic support for capital controls since manufacturing firms and their owners obtain balance-sheet and purchasing power gains from capital mobility, especially in the context of financialization (Alami 2019a, 2019b, 2019c).

Even though depoliticized policy regimes can still deviate from economic orthodoxy, the adoption of a heterodox strategy favors the repoliticization of capital flow management through three complementary channels. First, in line with the definition of Dönmez and Zemandl (2019), the deployment of intense and encompassing restrictions contributes to returning the visibility to the political character of capital flow management, leading the distinct social groups to build clearer preferences on this matter (Steinberg and Nelson 2019). Secondly, if we define heterodoxy as a rupture with orthodox policymaking (Kvangraven and Alves 2020), then the option for heterodox capital account regulations makes it harder for state managers to use the allegedly neutral arguments of mainstream economics, creating incentives to politicizing discourses. Finally, as depoliticization aims to stabilize private expectations (Burnham 1999), it is possible to argue that the capacity of convincing private interests of the depoliticized character of heterodox measures varies according to the features of policymakers, being lower for leftist governments at the periphery. In other words, by being unable to contain business dissatisfaction through depoliticization, post-neoliberal parties may be forced to politicize capital flow management to attract enough political support for heterodox regulations.

Before moving to the research design, it is worth highlighting that I do not assert that popular pressure and elite allies were the sole causes for different strategies of capital flow

management under post-neoliberalism. For instance, in line with studies that draw a panorama of post-neoliberal policies (Campello 2015; Flores-Macías 2012; Weyland 2009), I do not dispute that factors like external financial conditions, the endowment of natural resources, and institutionalization of party-system may have played a part in the reregulation of capital flows. In this sense, my focus on domestic social forces is an analytical choice to secure a proper space to analyze their impact on capital flow management.

4. Research design

I assess the argument put forward in the previous section through a comparative case-study centered on Argentina under Kirchnerism (2003-2015) and Brazil under the Workers' Party (2003-2016). With respect to the dependent variable, I analyze four dimensions to classify capital flow management under post-neoliberal governments as orthodox or heterodox. Table 01 presents the ideal-typical characterization of these strategies.

Table 01

The initial step of my classificatory scheme focuses strictly on capital account policies, namely the *coverage of regulations* and the chosen *policy tools*. Relying on Fritz and Prates (2014), Kaltenbrunner (2016), and Rafferty (2017), I consider that state managers adopt a heterodox strategy if they restrict a broad set of financial transactions and go beyond price-based regulations[2].

It is important to note, however, that the mainstream economic position changes over time (Rafferty 2017). For instance, as previously mentioned, temporary and targeted price-based inflow controls only entered the orthodox policy toolkit after the 2007 crisis (Jeanne and Korinek 2010).

Against this background, I also assess each country's *alignment with the IMF prescriptions*, taking deviant policies as evidence of heterodoxy. The emphasis on IMF stems from its pivotal role in promoting capital account liberalization around the world (Gallagher 2015a).

Similarly, as noted by Fritz and Prates (2014), the option for a heterodox regulation of capital flows is not an isolated decision, requiring support from *other economic policies*. Therefore, relying on a broad definition of capital flow management, as put forward by Alami (2019b) and Nembhard (1996), I incorporate measures that also affect the global movement of money and capital across national borders – like current account restrictions, external debt renegotiation, and the use of official reserves to reduce interest payments – into the potential arsenal of heterodox strategies.

Even though my primary focus lies on cross-border financial policies, I also discuss their articulation with processes of repoliticization of capital flow management, which take place when state managers return the visibility of the political character of this policy issue (Dönmez and Zemandl 2019). In this sense, I pay attention to institutional changes that reinforce the governing party's control over capital flow management, the importance of this issue in party manifestos, state managers' politicizing discourses, and policymakers' rhetoric towards the IMF.

The case-selection criteria stem directly from this conceptualization strategy. In this regard, I selected the case of Argentina under Kirchnerism because this was the most evident case of heterodox capital flow management, diverging from the other post-neoliberal experiences (see tables A1 and A2). In light of this decision, the choice of Brazil under the Workers' Party derives from two complementary reasons. First, this case follows the typical post-neoliberal pattern on the issue, characterized by the tightening of cross-border financial regulations under the scope of an orthodox strategy of capital flow management. Secondly, despite differing in the dependent

variable, the cases of Argentina and Brazil share many structural and conjunctural similarities (Bizberg 2019).

Considering this most-similar systems design, I trace the post-neoliberal decisions on the strategy of capital flow management to the strength and autonomy of labor unions and social movements, on one hand, and the existence or not of strategic allies among economic elites, on the other hand. Besides this cross-case analysis, as Latin America occupies a subordinate position in the international monetary and financial system, I also build a within-case analysis to explore how external conditions shape the decision-making process of post-neoliberal parties. Accordingly, I assess the evolution of dependent and explanatory variables over two periods: the first post-neoliberal term directly after the 1998-2002 economic crisis in each country and the rest of the post-neoliberal experience in the wake of the 2007 Global Financial Crisis.

In terms of supportive evidence, I rely on IMF publications and financial openness indexes to characterize the chosen strategy of capital flow management. Concerning politicization, I analyze party manifestos, policymakers' articles, and countries' official responses to IMF staff. Finally, regarding the explanatory variables, I build upon related academic literature and interest groups' publications.

5. Capital flow management in Argentina under Kirchnerism (2003-2015)

Kirchnerism has been the main political force in Argentina since 2003, when the Front for Victory (FpV), led by Nestor Kirchner, won the presidential election. After that, the same electoral alliance under the leadership of Cristina Kirchner triumphed in the two subsequent elections and remained in power until 2015. Composed by left-wing Peronists and minor progressive parties, the FpV

pushed for a post-neoliberal program, based on the commitment to full employment, the recovery of national sovereignty, the return of State as the arbiter of social relations, and the criticism towards finance and market-led development (FpV 2003; Sosa 2017).

The rise of Kirchnerism to power resulted mostly from the 1998-2002 economic crisis, which dates back to the prevalence of neoliberal policies throughout the 1990s (Alonso 2010). For instance, in terms of macroeconomic policymaking, the orthodox orientation took the form of the Convertibility Plan, a currency board that pegged the Argentinean peso to the US dollar from 1991 to 2002 (Aytac and Onis 2014). Being a cornerstone of this strategy, the commitment to capital account openness had the role of attracting foreign capital needed to sustain the fixed exchange rate and stimulate economic growth (Onis 2006). Despite its initial success, the Convertibility Plan fed current account deficit and foreign currency-denominated debt, leading to a recession in the late 1990s, presidential crisis and debt default in 2001, and currency devaluation in 2002 (Gezmis 2018). These events did not cause, however, the rupture with economic orthodoxy as the 2002-2003 caretaker government kept aligned with IMF prescriptions, framing restrictive measures as temporary initiatives (IMF 2003a; Merino 2012).

Any administration entering office amid this conjuncture would have to cope with pressures for policy reorientation, especially from popular sectors. Still, there were specific factors that eroded Kirchnerism's capacity to moderate these demands. First, Argentina had a strong movement of unemployed workers and one of the highest unionization rates of the region, covering around one-third of the labor force (Cato and Ventrici 2011). Moreover, due to the crisis, the moderate direction of the largest union, the General Confederation of Labour (CGT), which had backed economic liberalization in exchange for clientelist compensations, lost ground to the Argentine Workers' Movement (MTA) and the Argentine Workers' Central Union (CTA), which

pushed for an immediate rupture with neoliberalism[3] (Anigstein 2019; Merino 2012). Besides strengthening the demand for deeper economic changes, this division within organized labor made negotiations more difficult since union leaders had to obtain larger victories to placate and keep their bases (Atzeni and Grigera 2019; Murillo 2000). Similarly, the lack of long-term organic ties with Kirchnerism safeguarded the relative autonomy of labor unions and social movements at least in the first interactions (Muñoz and Retamozo 2008; Schipani 2021).

This impulse for policy reorientation found an echo among domestic economic elites as manufacturers became gradually unified around the abandonment of neoliberal policies (Cantamutto 2016). In this sense, a relevant faction of industrial business leaders, affiliated to the Productive Group and the Argentine Productive Movement[4], even embraced neo-developmentalist ideas such as the subordination of globalization to the national interest, the expansion of social safety nets, the recovery of wages, the maintenance of a competitive currency, and the public stimulus to industrial production (GP 1999; Merino 2016; MPA 2001). Even though this agenda was far from a consensus among economic elites, factors like the losses of primary exporters with currency overvaluation and the post-crisis fragility of the financial sector debilitated potential sources of opposition (Campello 2015). Beyond interest-based calculations, Kirchnerism also benefitted from sharing a Peronist identity with broad factions of domestic elites, weakening rhetoric connections between post-neoliberalism and anti-capitalism (Gezmis 2018).

Considering these societal preferences, it is possible to conclude that both popular sectors and business interests favored the adoption of a heterodox strategy of capital flow management by the first FpV administration. In this sense, in face of strong and autonomous popular organizations, the building of a stable political majority presupposed the use of macroeconomic policies to obtain immediate progress in terms of growth and employment, consequently requiring further control

over cross-border transactions. Additionally, instead of harming the government's credibility, this policy reorientation had key allies among domestic economic elites, such as manufacturing producers that embraced interventionism to recover national production and external competitiveness.

Against this background, the presidency of Nestor Kirchner (2003-2007) took three interrelated measures that affected the country's relationship with global markets. First, Kirchner renegotiated the external debt with most foreign creditors, gaining further policy space to maintain low-interest rates and increase public expenditure (Campello 2015). Moreover, amid the commodity boom, the FpV administration introduced a mandatory one-year unremunerated deposit for all kinds of capital inflows to keep a competitive exchange rate and safeguard financial stability (Aytac and Onis 2014; Fernandez et al. 2016). Finally, the government deployed export surrenders and taxes to the primary sector, seeking to contain currency overvaluation but also fund further social protection (IMF 2005a; Richardson 2009).

Following the definition proposed in the previous section, these measures signaled a move towards a heterodox capital flow management. In terms of capital account regulations, for instance, the chosen restrictions affected a broad set of transactions. Despite relying on price-based instruments, the extensive inflow controls were not aligned with the IMF guidelines at that moment. Furthermore, these regulations were complemented by initiatives that curbed the cross-border movement of money and capital in the realms of current account and public debt.

The option for heterodox strategy came alongside a process of repoliticization. In this sense, FpV manifestos took the 1998-2002 crisis as a result of the dismantlement of national production, the prevalence of financialization, and the foreign control over strategic sectors (FpV 2003, 2007). Going even further, state managers like the Minister of Economy, Roberto Lavagna,

were open about the political motivation of capital flow management, referring to the threat of speculative inflows, the risks of relying on foreign capital, the need for active manipulation of the exchange rate, and the defense of domestic manufacturing industry (Lavagna 2003). The government also kept polarizing rhetoric towards the IMF, blaming the organization for neoliberal reforms and their harmful consequences (Alonso 2010; IMF 2005a).

As expected, the deployment of further cross-border restrictions had a positive impact on manufacturing producers, who benefitted from the increased external competitiveness and/or the weakening of import competition (Damill et al. 2015). In the case of workers, the implications were less straightforward since the heterodox capital flow management was part of a broader bargain, which included the government's commitment to full employment, income redistribution, and revitalization of more unionized sectors (Muñoz and Retamozo 2008). Conversely, the adopted measures imposed losses to financial and primary sectors, even though the weak currency partially compensated the latter interests (Campello 2015; Oliveira 2019). In aggregated terms, due to either the commodity boom or the policy reorientation, the presidency of Nestor Kirchner managed to boost growth and employment, while keeping current account surplus, fiscal balance, and a relatively moderate inflation rate (Wylde 2014).

During the presidencies of Cristina Kirchner (2007-2015), however, there was a deterioration of this macroeconomic performance. At the internal front, the recovery of growth and employment fed the distributive conflict, fostering inflationary pressures that gradually eroded external competitiveness and fiscal balance (Damill et al. 2015; Wylde 2016). Moving to the global stage, events like the 2007 crisis, the FED tapering, and the end of the commodity boom harmed export-led demand and fueled capital outflows (Steinberg and Nelson 2019). Taking advantage of

this context, holdout creditors, mostly vulture funds, brought lawsuits against Argentina in US courts, further restricting the country's access to financial markets (Guzman 2020).

Despite this challenging conjuncture and the good performance before the crisis, Kirchnerism did not gain much margin of maneuver in the relationship with its core constituencies, which kept pushing for expansionary macroeconomic policies. In this regard, besides the already high unionization rate, the low unemployment, and the broader collective agreements strengthened the position of labor unions, which relied on this increased bargain power to defend wages and public expenditure in the tripartite negotiations (Anigstein 2019; Marticorena 2015). Moreover, reflecting the fact that Kirchnerism did not control all currents within these organizations, both unions and social movements remained relatively autonomous, engaging in a relevant number of strikes and demonstrations (Etchemendy 2019; Schipani 2021). Finally, in terms of coalition-building, the government became more dependent on workers' support as a means to compensate for the growing dissatisfaction from the middle classes and primary exporters (Steinberg 2017).

Regarding the relationship between Kirchnerism and economic elites, there was not much change in the preferences of each interest group, however, the level of polarization increased in response to macroeconomic deterioration. For instance, due to the inflationary pressures and the attempt to raise export taxes, the government faced fierce opposition from rural producers, who even organized an agrarian strike in 2008 (Wylde 2016). In the case of manufacturers, despite the growing concern over inflation and external competitiveness, it was possible to keep their support through three complementary channels. First, the combination of increased public expenditure and low-interest rates helped to sustain the aggregate demand amid the retreat of exports (Steinberg 2017; Schorr 2021). Additionally, the government nurtured a small group of producers, which benefitted from public contracts, especially in sectors where nationalist measures displaced foreign

investors (Manzetti 2014). Finally, throughout its successive administrations, Kirchnerism reinforced its Peronist identity by strengthening the ties with inward business groups and benefitting from the impact of the 2007 crisis on neoliberalism's image (Gezmis 2018).

Considering the aforementioned societal preferences, both popular sectors and business interests kept favoring a heterodox strategy of capital flow management during the presidencies of Cristina Kirchner. At the former channel, for example, the increased bargain power of popular organizations vetoed either internal or external devaluation, turning the insulation from global markets into a politically safer option in face of worsening economic conditions. Certainly, doubling the bet on interventionism could risk the relationship with economic elites, however, the government managed to keep key allies, especially among manufacturers.

Against this background, the administration led by Cristina Kirchner (2007-2015) took several measures with implications for the country's relationship with global markets. First, in 2009, against the will of the central bank's chair, the government used foreign exchange reserves to create the so-called Bicentennial Fund and reduce the costs of interest payments (Formento and Merino 2010). Regarding foreign investors, despite the reversal of the global financial cycle, the administration kept the inherited reserve requirements over capital inflows (Fernandez et al. 2016).

Moving to the initiatives that more directly affected domestic interests, since 2011, the government deployed successive restrictions over many kinds of financial outflows to avoid capital flight and its inflationary implications, including limits, approval and repatriation requirements, surrenders, and prohibitions (Fernandez et al. 2016; IMF 2016; Steinberg and Nelson 2019). Following similar principles, despite failing to obtain legislative support for its increase in 2008, the Kirchner administration maintained the tax over primary exports (Gezmis 2018).

In light of the theoretical framework of this article, it is safe to conclude that the presidencies of Cristina Kirchner deepened the option for a heterodox strategy of capital flow management. Going even further against the IMF toolkit, the deployed controls affected almost all transactions, being far from using only price-based instruments. Additionally, these pervasive regulations were complemented by the active management of official reserves and the reinforcement of current account restrictions.

This heterodox strategy was also followed by a process of repoliticization. At the level of institutions, Cristina Kirchner took advantage of the political crisis related to the Bicentennial Fund for approving the revision of the central bank's objectives, which passed to include economic development, employment creation, and income equality (Damill et al. 2015). In terms of political discourse, FpV manifestos continued to criticize financialization and foreign control over strategic sectors (FpV 2011, 2015). Moreover, as showed by Steinberg and Nelson (2019), the restrictions over capital outflows became an issue of mass politics, being at the center of the public debate. Accordingly, state managers, like ministers of economy and chairs of the central bank, were open about the political motivation of capital flow management, making arguments about the prioritization of income redistribution, the defense of monetary sovereignty, the rupture with neoliberal macroeconomic policymaking, and the class-based motivations of capital flight (Kicillof and Nahon 2006; Pont 2011; Vanoli 2018). Finally, the rhetoric towards the IMF remained polarizing, accusing the organization of fueling capital outflows and holdout creditors' charges (IMF 2016; Wylde 2016).

The consolidation of a heterodox strategy of capital flow management favored the interests of workers, who obtained an increased wage share and an extended social protection amid worsening economic conditions (Etchemendy 2019; Steinberg 2017). In the case of domestic

manufacturing producers, even though industrial exports lost momentum due to currency overvaluation, the adoption of interventionist policies shielded by cross-border restrictions helped to slow down deindustrialization, retain national control over some sectors, and even support the external competitiveness of some activities like vehicle and machinery manufacturing (Lavarello and Mancini 2017; Schorr 2021). Conversely, this policy trajectory deepened the losses of the financial and primary sectors, consolidating their rupture with the government (Etchemendy and Puente 2017; Wylde 2016).

In aggregated terms, the macroeconomic performance of Cristina Kirchner showed two clear stages. During the first presidency, despite gradually sacrificing fiscal and price stability, the immediate response to the 2007 crisis was successful in terms of growth, employment, and income redistribution, paving the way for easy re-election in 2011 (Damill et al. 2015). After that, by either worsening global conditions or the bet on interventionism, inflation surged and growth entered in a stop-and-go trajectory (Gerchunoff and Rapetti 2016). Even though this process culminated with a right-wing electoral victory in 2015, Kirchnerism remained the strongest political force in the country, maintaining the support of half of the voters.

6. Capital flow management in Brazil under Workers' Party (2003-2016)

After consecutive defeats in the second round, the Workers' Party (PT), led by Luiz Inácio Lula da Silva, finally won a presidential election in 2002. Based on a heterogeneous alliance, which gradually incorporated many center-right parties, the PT remained in power until 2016, when Dilma Rousseff, Lula's chief of staff and successor, was removed from office by a controversial impeachment. Composed by different left-wing tendencies, the PT gradually moved from a

socialist to a post-neoliberal platform, focusing on the support for income redistribution, the extension of participatory democracy, and the criticism towards finance and market-led development (Hunter 2007; PT 1989, 2002a, 2002b).

Like Kirchnerism, the rise of PT to power took advantage of the 1998-2002 economic crisis, which dates back to the prevalence of orthodox policies throughout the 1990s (Campello 2015). In terms of macroeconomic policymaking, after failed initiatives in the early 1990s, the adherence to neoliberalism gained momentum with the Real Plan, a stabilization program, launched in 1994, that relied on a quasi-fixed exchange rate regime to defeat hyperinflation (Boito 2007). The gradual removal of capital controls was at the center of this strategy by sustaining a strong currency through the attraction of foreign investments (Fritz and Prates 2018). Despite achieving price stability, the policy regime that emerged from the Real Plan boosted the current account deficit and foreign currency-denominated debt, leading to a forced currency devaluation in 1999 (Saad-Filho 2020). In the face of this crisis, there was a policy reformulation that deepened the commitment with capital account openness, while replacing the quasi-fixed exchange rate with the so-called macroeconomic tripod, composed of primary surplus, inflation targeting, and floating exchange rate (Loureiro and Saad-Filho 2019).

Despite the similar economic context, at the beginning of the new government, the relationship between PT and social groups did not resemble what Kirchnerism experienced. For instance, concerning the core constituencies, many factors helped to moderate the demands from popular organizations. First, Brazil had a low unionization rate, covering less than one-quarter of the labor force, and relatively incorporated social movements[5] (Campos 2014). Additionally, throughout the 1990s, labor unions increased their participation in governmental forums, gradually prioritizing insiders' compensation and sectoral protection to broader policy considerations

(Riethof 2019). Alongside this process, unions also seemed to lose their capacity or willingness to mobilize workers, leading, for example, to a reduction in the number of strikes (Boito 2007). Finally, the largest and more mobilized union, Unified Workers' Central (CUT), had historical ties with PT, while the other relevant organizations, like Union Strength (FS), were politically more moderate and connected to junior parties of the PT-led coalition (Ribeiro 2014; Schipani 2021).

On the other hand, unlike Kirchnerism, PT did not have much margin of maneuver when it came to economic elites. In this sense, despite the growing concern with economic stagnation and social cohesion, the maintenance of the macroeconomic tripod was a cross-sectoral consensus among business leaders (Diniz 2011). This position included even industrial associations like National Industry Confederation (CNI) and Federation of Industries of the State of São Paulo (FIESP), which criticized high-interest rates and exchange rate misalignments but kept a distance from measures that could threaten fiscal balance and price stability (CNI 2002; FIESP 2002; Boito and Saad-Filho 2016). Also adding to this context, domestic private banks retained their market power amid the instability of the 1990s, mobilizing their political influence in favor of macroeconomic orthodoxy (Etchemendy and Puente 2017). Finally, different from Kirchnerism, which could rely on a shared Peronist identity, PT did not have organic ties with business leaders, being more exposed to accusations of seeking an anti-capitalist agenda (Singer 2012).

Considering the aforementioned societal preferences, it is possible to conclude that neither popular pressure nor business interests favored the adoption of a heterodox strategy of capital flow management at the beginning of PT administration. Specifically, weak and subordinated labor unions and social movements could not impose an immediate reorientation of economic policymaking, decreasing the need for cross-border financial restrictions. Moreover, in the absence of strategic allies among economic elites, a rupture with macroeconomic orthodoxy could have

caused irreversible damage to the new government's credibility and support among business leaders.

Against this background, the first presidency of Lula (2003-2006) took three interrelated initiatives. First, the new government resorted to fiscal consolidation to increase the primary surplus and meet inherited commitments with foreign creditors (IMF, 2003b). At the same time, while keeping one of the highest interest rates in the world, the PT administration further removed capital controls to attract foreign investments (Fernandez et al. 2016; IMF 2005b). Besides boosting official reserves, the increased capital inflows also made the currency stronger, helping to fulfill the yearly inflation targets (Fritz and Prates 2018). Finally, taking advantage of the commodity boom and the growing credibility with global markets, the central bank gradually changed the composition of public debt, replacing foreign with local currency-denominated bonds (IMF 2006).

Unequivocally, these measures meant the preservation of the inherited orthodox strategy of capital flow management. In this sense, the impulse for capital account liberalization was fully aligned with IMF prescriptions. Furthermore, both fiscal and monetary policies reinforced a subordinate pattern of financial integration at the expense of its implications for national sovereignty and industrial development.

In terms of policy framing, state managers relied on a depoliticizing discourse to justify the option for orthodoxy. For instance, PT manifestos moderated the references to capital mobility, criticizing the excessive dependency upon foreign investments, but also highlighting their contribution for development and pledging to respect inherited contracts (PT 2002a, 2002b). Going even further, the Minister of Finance, Antonio Palocci, and the central bank chair, Henrique Meirelles, made a strong commitment to rule-based policymaking, which implied avoiding

exchange rate interventions, while fulfilling fiscal and inflation targets (Meirelles 2009; Palocci 2007). In their approach, the integration into global markets and the attraction of capital inflows were welcomed as a sign of the credibility of the country's policymaking. Accordingly, the government kept cooperative rhetoric towards the IMF, overcoming the reciprocal mistrust (IMF 2006; Palocci 2007).

As expected, the combination of high-interest rates and liberalized capital flows harmed industrialists, who lost external competitiveness and faced further import competition (Boito 2007). In the case of workers, the implications were twofold since the orthodox capital flow management favored the recovery of purchasing power at the same time that slowed down growth and deepened deindustrialization (Singer 2012; Loureiro 2020). On the other hand, the adopted measures benefitted the domestic private banks by expanding their operations and profits as a result of the development of local financial markets and the consequent integration into international transactions (Dodd and Griffith-Jones 2007; Etchemendy and Puente 2017). In aggregated terms, despite restoring macroeconomic stability and expanding social protection, the first presidency of Lula obtained only moderate progress in terms of growth and employment, failing to address structural challenges like the retreat of the industrial sector and the prevalence of primary exports (Fritz and Prates 2018).

Even though inclusive neoliberalism, as defined by Saad-Filho (2020), was enough for Lula's re-election in 2006, successive shocks at the external front introduced new challenges to the PT administration. During the second term of Lula (2007-2010), the eruption of the Global Financial Crisis fed the contestation to neoliberal reforms, reducing the stigma of economic interventionism (Naqvi 2021). Moreover, the subsequent monetary response from advanced countries boosted capital flows to financially integrated emerging markets like Brazil, increasing

the pressure on the country's manufacturing industry (Gallagher 2015a, 2015b). After that, during the presidency of Dilma Rousseff (2011-2016), the Federal Reserve tapering and the end of the commodity boom harmed growth prospects, fostered inflation, created a fiscal imbalance, and boosted capital outflows (Alami 2019a, 2019b, 2019c).

This challenging conjuncture did not alter the position of popular organizations towards state managers. For instance, the unionization rate remained stagnated despite the context of low unemployment and broader collective agreements (Campos 2014). Similarly, even though strikes became more frequent during the Rousseff administration, the number of paralyzed hours did not follow the same trend, being mostly circumscribed to the public sector (Ferraz 2018). Besides exploring partisan ties, the government also reinforced the control over union leaders through funding provisions and pension funds' management positions (Riethof 2019). Accordingly, the main popular organizations prioritized institutionalized negotiations, subordinating their demands to what was also supported by industrial business associations (Doctor 2007; Schipani 2021).

The political fragility of popular organizations became evident during the 2013 protests. During the demonstrations, the largest unions and social movements were not major protagonists, being unable to shape the protest agenda towards the reorientation of economic policymaking (Singer 2018). Consequently, small leftist youth movements, which began the mobilization with a focus on the public services fees and the costs of mega-events, lost space to right-wing groups, which emphasized corruption scandals and resisted redistributive policies (Alami 2019a, 2019b, 2019c). In the years that followed the protests, despite the growing dissatisfaction among workers, the leaders of the largest popular organizations remained subordinate to the governing party, containing bottom-up mobilization and paving the way for a New Right mass movement, which

took the streets with the support of business owners, middle classes, and even informal workers (Riethof 2019).

Moving to the case of domestic economic elites, their relationship with the PT administration evolved according to the global financial cycle. Right after the 2007 crisis, for example, manufacturing producers built an alliance with labor unions to push for broader industrial policies. This led to a deepening of the criticism against currency overvaluation and high-interest rates (CUT, FS and FIESP 2011). Even though this move did not signal a rupture with the macroeconomic tripod, industrial associations became closer to the government in the public debate, providing legitimacy to some interventionist measures (Boito 2020). On the other hand, domestic private banks kept their defense of macroeconomic orthodoxy, contending that abrupt policy changes could risk hard-won stability and have little effect on long-term economic challenges (Gallagher 2015a, 2015b). In general, even though economic elites increased their trust in PT's commitment to the market economy, the ties between the party and business leaders remained oriented in the short-term, being usually mediated by center-right allied parties (Singer 2018).

The situation changed drastically in 2013 after the FED taper tantrum and the end of the commodity boom. In this new context, manufacturers blamed the government for economic deterioration and joined the financial sector in the defense of fiscal consolidation and internal devaluation[6] (Skaf 2015). Reflecting the structural fragility of the relationship between PT and economic elites, the rhetorical nexus between PT and statism gained momentum, eroding the government support among center-right parties (Singer 2018).

Considering the aforementioned societal preferences, it is possible to conclude that neither popular pressure nor business interests favored the option for a heterodox capital flow management

following Lula's re-election. At the former channel, popular organizations remained incapable or unwilling to push for deeper policy reorientation. Similarly, right after the Global Financial Crisis, manufacturers passed to support some expansionary and interventionist measures but refrained from endorsing any rupture with the macroeconomic tripod. This lack of strategic allies among domestic economic elites became evident after 2013 when a worsening conjuncture unified business leaders around the defense of neoliberal policies.

Against this background, during the second term of Lula (2007-2010) and the presidency of Rousseff (2011-2014), PT attempted to foster growth by rebalancing some economic policies. For example, the government increased public expenditure to fund infrastructure projects, subsidize the industrial sector, and counteract contractionary pressures (Singer 2018). Moreover, the central bank gradually cut policy interest rates to boost private investment and discourage speculative investments (Fritz and Prates 2018).

Regarding capital flow management, the Ministry of Finance imposed taxes on short-run capital inflows such as external loans and portfolio operations to mitigate currency overvaluation and financial instability (Fernandez et al. 2016; IMF 2010). Additionally, as these controls were not enough to curb the massive carry trade operations, policymakers extended taxation to foreign exchange derivatives based on the notional value of investors' long net positions in Brazilian reais (Alami 2019c).

Following the 2013 taper tantrum, however, all these policies were revised in an attempt to safeguard macroeconomic and financial stability. For instance, the central bank adopted a contractionary monetary policy to prevent the resurgence of inflation (Braga and Purdy 2019). Following the same rationale and in the face of surging capital outflows, the Ministry of Finance eased the price-based controls, while the monetary authority resorted to costly currency swaps to

avoid an abrupt currency devaluation (IMF 2013, 2015). Finally, right after Rousseff's re-election, the government embraced fiscal consolidation, cutting public expenditure (Singer 2018).

Considering my theoretical framework, it is possible to conclude that the PT administration did not move towards a heterodox strategy of capital flow management. In line with the new IMF position, the deployed controls targeted some capital inflows through market-based instruments. In this sense, despite being an institutional innovation, the tax over foreign exchange derivatives did not break with price-based design, including even Brazilian exchanges for stocks and derivatives in its implementation. Finally, the option for currency swaps instead of outflow restrictions indicated a strong commitment to capital account openness.

In the same vein, there was no consistent rupture with the depoliticizing discourse. For instance, the PT manifestos did not mention capital mobility or financialization, making only a few references to the reduction of external vulnerability (PT 2006, 2010, 2014). Moreover, the Minister of Finance, Guido Mantega, presented the post-crisis policy change, the so-called new economic matrix, as an update of the macroeconomic tripod, which only became possible as a result of the stability achieved by the first PT government (Mantega 2012). Accordingly, other state managers, like the new central bank chair, Alexandre Tombini, and the Executive Secretary of the Ministry of Finance, Nelson Barbosa, framed the adopted inflows controls as prudential regulations that did not respond to political considerations (Barbosa-Filho 2015; Gallagher 2015a).

The main change in the framing of capital account policies took place at the international front. In this sense, Rousseff and Mantega denounced the negative spillovers caused by Quantitative Easing in advanced economies, using terms like liquidity tsunami and even currency war (Alami 2019a). On one hand, by emphasizing unequal interstate relations, this rhetoric could be interpreted as evidence of discursive repoliticization. On the other hand, as previously

mentioned, Brazilian state managers relied on this discourse to frame the deployed controls as a second-best corrective measure to the market distortions associated with developed countries' unconventional monetary policies. This depoliticizing approach to capital mobility may explain why state managers kept cooperative rhetoric towards the IMF, being able to build a regulatory common ground with the organization (Mantega 2009; IMF 2015).

Moving to the impact on interests, the new economic matrix favored manufacturers, who benefitted from lower taxes and interest rates, increased government-led demand, and mitigated currency overvaluation (Boito 2020). Workers also took advantage of expansionary macroeconomic policies, which led to low unemployment and improved social inclusion (Loureiro 2020). Private banks, in contrast, perceived the reduction of interest rates and the expansion of public credit supply as a threat to their market power (Singer 2018). Finally, after the FED taper tantrum, the abandonment of the new economic matrix met the demands of all factions of the economic elite at the expense of workers' interests (Braga and Purdy 2019).

In aggregated terms, as in the case of Argentina, the post-crisis performance of PT administration showed two clear stages. Right after the Global Financial Crisis, while keeping relative fiscal and price stability, the expansionary macroeconomic response boosted growth, employment, and income redistribution, which paved the way for electoral victories in 2010 and 2014. Following the FED taper tantrum, by either worsening global conditions or policy failures, growth plummeted and inflation surged, leading to a gradual erosion of PT support which culminated in the impeachment of Rousseff in 2016 (Saad-Filho 2020).

7. Collinearity

A potential criticism of my case-selection stems from the fact that both explanatory conditions – the pressure from popular sectors and the existence of strategic allies among economic elites – go in the same direction. In other words, both conditions favored the adoption of a heterodox strategy of capital flow management in Argentina and neither of them did in Brazil.

In line with the approach followed by Belin (2000), it is possible to address this issue of collinearity by briefly discussing the case of Ecuador under the administration led by Rafael Correa (2007-2017). In Ecuador, strong social movements, especially indigenous ones, led the opposition to neoliberal policies, fueling the mid-2000s political crisis that paved the way for the electoral triumph of Correa (Etchemendy 2021). These popular organizations managed to keep their autonomy from the ruling party, by organizing relevant protests or even supporting other progressive parties (Becker 2013). Despite this high pressure from below, Correa could not count on strategic allies among domestic economic elites, which jointly opposed most governmental initiatives, imposing their gradual moderation, especially in the economic realm (Wolff 2016).

Table 02

The outcome of these contradictory pressures was a hybrid capital flow management (see Table 02). On one hand, departing from the IMF toolkit, this strategy imposed restrictions over all kinds of capital outflows and obtained a favorable external debt renegotiation (Unda and Margret 2015). On the other hand, in line with IMF prescriptions, the Ecuadorian government resorted only to price-based controls, keeping a focus on financial stability, and refraining from any rupture with the dollarized exchange rate regime (Wolff 2016). Figure 01 summarizes the role of social forces in shaping the strategy of capital flow management chosen by post-neoliberal parties.

Figure 01

The choice of this visual representation stems from the sequential nature of the post-neoliberal parties' decisions. In this sense, first, the popular pressure puts the heterodox strategy of capital flow management on the table of the governing party. After that, the existence of allies among economic elites reduces the cost of this option, allowing it to become a reality. As the cost will never be zero, it is unlikely that post-neoliberal parties will resort to heterodoxy without a high level of pressure from core constituencies.

To some extent, the first administration of Michele Bachelet in Chile illustrates this argument. In 2006, the Socialist Party won the presidency with the support of the ruling center-left alliance that had been in power since 1985. Despite a stable relationship with business groups (Soederberg 2002), as popular sectors were not strong and autonomous enough to exert pressure over the government, there was no incentive for moving towards a heterodox capital flow management, which remained based on cyclically-adjusted and selective price-based regulations over inflows (Fernandez et al. 2016; Madariaga 2017).

8. Final remarks

With a focus on Latin American post-neoliberalism, this article discussed what enables the rupture with orthodox capital flow management. Based on case studies on Argentina under Kirchnerism and Brazil under the Workers' Party, I conclude that two conditions contribute to the move towards a heterodox strategy. First, the autonomy and the strength of labor unions and social movements favor heterodoxy by increasing the government's need for autonomy over macroeconomic policy. After that, given this popular pressure, the existence of strategic allies among economic elites –

such as, for example, part of manufacturing producers – enables the option for heterodoxy by compensating credibility losses that such strategy could cause.

By highlighting the policy diversity that characterized these experiences, my theoretical framework offers two contributions to the debate centered on recent instances of reregulation of capital flows. First, my framework highlights that capital controls aligned with economic orthodoxy reinforce subordinate patterns of financial integration instead of expanding national policy space. In this sense, as orthodox reregulation was the most prevalent strategy in Latin America, this critical perspective sheds light on the limits of the recent impulse for cross-border financial restrictions. Furthermore, by proposing that heterodox capital flow management depends on a rare combination of popular pressure and elite allies, my argument helps to make sense of the reasons why progressive governments have frequently refrained from curbing capital mobility, especially at the capitalist periphery.

The analysis of the social underpinnings of the variegated strategies of capital flow management also has broader implications for the prospects of Latin American post-neoliberalism. For instance, the pivotal role of popular pressure for securing at least some divergence from economic orthodoxy indicates that strengthening labor unions and social movements is as much strategic as winning elections, even for left-of-center parties that keep their inclusionary agenda within the confines of capitalism. In this sense, as illustrated by most post-neoliberal experiences, it is important to note that the possibility of capital-labor pacts around heterodox policies has lost ground with the progress of financialization and the internationalization of peripheral bourgeoisies. Moreover, as observed in Argentina, even when these 'progressive' cross-class alliances are possible, they still have to contend with the opposition of relevant factions of domestic economic

elites and the inherent vulnerabilities of a peripheral economy, showing difficulties to turn defensive measures into a sustainable transformation of social and economic structures.

Finally, the conclusions of this article allow reflecting on the relationship between form and content of economic policymaking. In this regard, even though this is not an automatic nexus, the adoption of orthodox economic policies by post-neoliberal governments contributed to consolidating depoliticizing discourses and institutions across Latin America. As depoliticization moves an issue away from public debate, this process had negative repercussions for the region's democracy, weakening societal resistance against the return of right-wing neoliberal parties to power.

Acknowledgements The author is grateful for the helpful comments provided by the anonymous referees, Anil Duman, Cristina Corduneanu-Huci, Evelyne Hübscher, Julia Bandeira, Nina Wiesehomeier, Renato de Gaspi, and Talia Dunyak on earlier drafts of this article.

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[1] Gallagher (2015a, 2015b), for example, analyzes the deployment of new controls in Brazil and South Korea after the 2007 crisis, but his main interest lies in the factors that enabled reregulation instead of the regulatory differences between each national strategy. In this sense, Alami (2019a) comes closer to my research focus by comparing the evolution of capital flow management in Brazil and South Africa since the 1930s. However, as South Africa experienced a continuous move towards financial openness after the early 1990s, his study does not center on the differences between countries that re-established controls after process of capital account liberalization.

[2] Despite the inclusion of price-based controls in the mainstream toolkit, it is worth highlighting that complete capital account openness remains the preferred strategy of capital flow management according to economic orthodoxy.

[3] CTA is the second largest union, composed of leftist Peronist and Trotskyists, while MTA was a CGT current that pushed for a strong opposition to neoliberalism, becoming majoritarian in 2004 (Anigstein 2019; Merino 2012).

[4] Initially composed of the Unión Industrial Argentina (UIA), the Argentine Chamber of Construction (CAC) and the Argentine Rural Confederation (CRA), the Productive Group emerged in 1999 to resist the preponderance of the financial interests in the economic policymaking. After that, in 2001, the Argentine Productive Movement emerged as a permanent lobby for this agenda (Merino 2016).

[5] Among these movements, the most important one is the Landless Workers' Movement (MST), which was created in the mid-1980s to push for land reform.

[6] The main leader of this rupture with the government was the president of FIESP, Paulo Skaf, which organized a massive campaign against tax increases (Skaf 2015).

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Word Count: 12489

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Table 01 – Post-Neoliberal Strategies of Capital Flow Management

	Orthodox	Heterodox
Policy tools	Price-based controls (preferably temporary)	Administrative and price-based controls
Coverage of regulations	Narrow	Broad
Supportive heterodox measures	No	Yes
Alignment with IMF toolkit	Yes	No

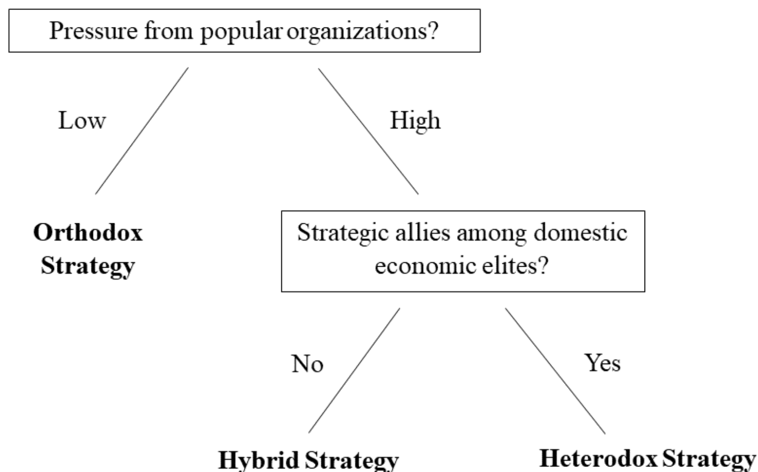
Source: the author.

Table 02 – Capital Flow Management - Comparison between Argentina, Brazil, and Ecuador

	Brazil	Argentina	Ecuador
Policy tools	Cyclically-adjusted price-based controls	Permanent administrative and price-based controls	Permanent price-based controls
Coverage of Regulations	Narrow (focus on short-term inflows)	Broad (most kinds of inflows and outflows)	Intermediate (all kinds of outflows)
Supportive Heterodox Measures	No	Yes (external debt renegotiation; tax over primary exports; Bicentennial Fund)	Mixed (debt renegotiation; maintenance of dollarization)
Alignment with IMF toolkit	Yes	No	Partial

Source: the author.

Figure 01 – Social Forces and Capital Flow Management under Post-Neoliberal Parties



Source: the author

APPENDIX

Table A1 – Main Capital Flow Management Measures under Post-Neoliberal Administrations

Country	Ruling Party	Main Capital Flow Management Measures	Year
Argentina	Front for Victory	Mandatory 365-day unremunerated deposit equivalent to 30% of capital inflows	2005
		Increased taxes and foreign exchange surrenders over primary exports	2007
		Need for authorization to purchase US dollars in a myriad of operations	2011
		Local insurance companies were banned from holding investments abroad	2011
		Need for authorization to purchase external assets	2012
		Limit on banks' net foreign exchange positions and net foreign exchange futures position	2014
		Restriction on foreign exchange transfers between local and foreign bank accounts	2014
Bolivia	Movement for Socialism	Tax on short-term dollar deposits	2006
		Tax on foreign currency-denominated exchanges in banks and exchange houses	2007
Brazil	Workers' Party	Tax on inflows related to external loans	2008
		Tax on inflows related to fixed income securities, stocks, margin deposits, and FDI	2009
		Tax on derivative contracts	2009
Chile	Socialist Party	Limits on purchases of foreign securities and derivatives by insurance companies and pension funds	2008
Dominican Republic	Dominican Liberation Party	Limit on excessive foreign borrowing by banks	2000
		Increased reserve requirements on lending in foreign currencies	2009
El Salvador	Farabundo Martí National Liberation Front	Limit on loans to non-residents or for investment abroad	2009
		Reserve requirement to external borrowing by financial institutions	2009
		Limit on insurance companies' investment abroad	2009
Ecuador	Proud and Sovereign Homeland	Tax increases on transfers abroad	2007

Nicaragua	Sandinista National Liberation Front	Limit on foreign indebtedness by financial institutions	2009
Paraguay	Guasú Front	Reduced limit for net foreign assets long positions	2009
		Limit on daily changes of net foreign assets positions	2009
		Higher reserve requirements to foreign currency deposits than those for domestic currency deposits	2010
		Limit on banks' net open positions in foreign currency	2010
Peru	Peruvian Nationalist Party	Reserve requirement in domestic currency for financial institutions operating with foreign exchange derivatives	2015
		Additional reserve requirement for financial institutions operating with short positions in foreign exchange derivatives	2015
Uruguay	Broad Front	Higher capital requirements for foreign currency credit	2006
		Increased risk weight of foreign exchange loans	2006
		Strict criteria for classification of foreign currency consumption and housing loans	2006
		Reserve requirements for non-residents' purchases of locally-issued peso-denominated public securities	2012
Venezuela	United Socialist Party of Venezuela	Prohibition of foreign exchange use among residents	2003
		Suspension of transactions of government bonds denominated in foreign currency in the secondary market	2003
		Foreign exchange surrenders for all kinds of exports	2003
		Limit on open foreign exchange positions of financial institutions	2003
		Reserve requirement for foreign exchange transactions and deposits	2009
		Multiple exchange rate system	2009
Panama	Democratic Revolutionary Party	-	-

Source: IMF Annual Report on Exchange Arrangements and Exchange Restrictions; IMF Article IV Staff Reports.

Table A2 – Panorama of Capital Flow Management under Post-Neoliberal Administrations

Country	Ruling Party	Relevant Administrative Controls	Coverage	Heterodox Supportive Measures	Alignment with IMF toolkit
Argentina	Front for Victory	Yes	Broad	Yes	No
Bolivia	Movement for Socialism	No	Intermediate	No	Partial
Brazil	Workers' Party	No	Narrow	No	Yes
Chile	Socialist Party	No	Narrow	No	Yes
Dominican Republic	Dominican Liberation Party	No	Narrow	No	Yes
El Salvador	Farabundo Martí National Liberation Front	No	Narrow	No	Yes
Ecuador	Proud and Sovereign Homeland	No	Intermediate	Mixed	Partial
Nicaragua	Sandinista National Liberation Front	No	Narrow	No	Yes
Paraguay	Guasú Front	No	Narrow	No	Yes
Peru	Peruvian Nationalist Party	No	Narrow	No	Yes
Uruguay	Broad Front	No	Narrow	No	Yes
Venezuela	United Socialist Party of Venezuela	Yes	Broad	Yes	No
Panama	Democratic Revolutionary Party	No	Null	No	Yes

Source: IMF Annual Report on Exchange Arrangements and Exchange Restrictions; IMF Article IV Staff Reports.