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**Latin American Democracy after the Lost “Half Decade” (1997-2002):
How to Rescue Political Science from the “Third
Wave of Democratization” Approach?**

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I. Introduction

In the 1970s Latin America became one of the main battlefields of the global confrontation between Revolution and Counter-revolution. The conflict between insurgent movements and maximalist socialist parties, on the one hand, and right wing conservative governments, whether military or civilian, on the other, grew in intensity and protractedness. The left made some advances: in 1970, Chile's Unidad Popular won the presidential elections, with Salvador Allende leading the first Socialist-Communist coalition to achieve power in the world through parliamentary means while advocating the abolition of capitalism; in Uruguay's the leftist Broad Front managed in 1971 to break the monopoly of the two traditional catch-all parties which had governed the country throughout the 20th Century sharing the spotlight with an initially popular Robin Hood-like urban guerrillas, the *Tupamaros*; Argentina's *Montoneros* sudden irruption with the 1970 assassination of a former military president seemed to indicate that Peronism –his old leader included—was veering to the left; in 1979 Nicaragua's Sandinista guerrillas defeated the National Guard –created with the support of the United States in the 1930s-- and ousted the corrupt regime of Anastasio Somoza Jr.; the following year the Farabundo Martí National Liberation Front was founded in El Salvador and immediately achieved an impressive strength of 6,000 armed combatants; after a dozen years of gestation in the southern, and largely Indian, department of Ayacucho, Sendero Luminoso emerged in Perú in 1980 soon to become the most formidable, as well as the most lethal, guerrilla movement of the continent.

However, the tide of the 1970s was overwhelmingly moving in the direction of the right. In Mexico, in 1971 the PRI administration under a “progressive” presidente, Luis Echeverría, methodically eradicated the rural guerrilla groups of Guerrero and neighbouring states resorting to the well known formula of illegal repression combined with cooptation. The same year, the Bolivian army put an end to the brief nationalist pro-union dream of General Torres with the installation of General Banzer's dictatorship. But the most dramatic shifts unfolded in the Southern Cone where successive military coups in 1973 interrupted the long established constitutional democracies of Uruguay and Chile in order to inaugurate *sine die* dictatorships. Both the Uruguay high command and general Pinochet openly proclaimed that their primary goal was

the extermination of communists and their allies at any cost. An equally brutal military junta took power three years later in Argentina easily removing a weakened Peronist government –which had proved unable to control inflation and its own internal disputes: thirty thousand *desaparecidos* were the lethal outcome of the decentralized pattern of state terrorism implemented by the dictatorship. Reviewing the regime changes of the 1970s, thus, the balance showed a continent where the vast majority of the population was under the rule of conservative pro-capitalist regimes, several of them explicitly claiming that the rule of law was just an obstacle in the crusade against communism. In the year of 1980, representative party democracy was just confined to Costa Rica and oil-rich Venezuela.

Last but not least, the decade was closed with the victory of Ronald Reagan in the presidential elections in the United States, one of whose closest advisors, the expert Latin Americanist Jeanne Kirkpatrick, advocated supporting “authoritarian” anti-communist dictators, and confronting “totalitarian” left-wing ideologues and regimes. This vision implied, obviously, abandoning the human rights concerns that had prevented the previous administration of Democrat Jimmy Carter from overtly supporting military dictatorships both in Central and South America.

On the other hand, and more fundamentally, the attempt to cast contemporary Latin American actors and regimes as left, right, and center veils two other processes which began to unfold in the 1970s. These processes have been reshaping the countries of the region in a more substantial way than the conflicts, or the oscillation, between right and left.

The 1970s became the stage where these two other processes, which actually were going to affect more significantly the future of Latin America than the conflict between right and left, were beginning to reshape the countries of the region. In part, these processes were not unrelated to trends also prevailing in North America and Europe. However, they were too the manifestation, and at the same time the cause, of a major domestic phenomenon: the breakdown of the socio-economic and political model which had prevailed, at least in the most advanced Latin America’s countries, since the inter-war years. I have defined this model as the state-centric matrix.¹ Let’s examine the main features of these processes.

¹ I have developed the concept of “state-centric matrix” in “Beyond Transitions to Democracy in Latin America,” *Journal of Latin American Studies*, 1992, 24 (3), and in “Politics: A Key for the Long Term in South America,” in *Latin American Political Economy in the Age of Neoliberal Reform: Theoretical and Comparative Perspective for the 1990s*, eds. William C. Smith, Carlos H. Acuña and Eduardo A. Gamarra. 1994. Coral Gables, Florida, North-South Center Press at the University of Miami.

II. Latin America in the last quarter of the 20th Century

Beginning in 1971 the increasing disorganization of the international economic system would become the most relevant force in irreversibly wearing down the economic and political fabric of the region's state--centric societies. The United States' abandonment of the gold standard decided by Richard Nixon in 1971 was a distinctive indication of the radically declining capabilities of the advanced capitalist countries, and of their states, to govern international finance. In part as a result of the evolving strategies of the major corporations, and in part as a result of the changing economic policies of the United States and the United Kingdom under Ronald Reagan and Margaret Thatcher, finance became global and turned to be almost exclusively ruled by markets. In other words, private capital flows and the decisions of investors and money managers grew capable of overwhelming the strategies of nation-states, and the directives of official agencies --including the International Monetary Fund and the World Bank-- making international financial markets increasingly resemble a free-for-all.

The significant prices increases decided by the Organization of Petroleum Exporting Countries created in 1974 further contributed to the generation of a high liquidity, and enormously volatile, regime. In the fluid context of the mid and late 1970s, liquid cash was first deposited in New York and London banks, and it was later re-circulated to Latin American (and other Third World) countries in the form of balance of payments loans. These loans were initially very attractive; real interest rates were extremely low in the (First World) inflationary context of the decade. For different purposes, almost all Latin American countries fell into the debt trap and they increased their foreign exposure in a dramatic fashion; Argentina and Chile in order to finance orthodox anti-inflationary policies (and military rearmament as well); Brazil promoting its last developmental spur; Venezuela, and later Mexico, proving incapable of escaping the lure of irresponsible "lubricated" fiscal spending.²

The mirage of inexpensive foreign financing dissipated abruptly in 1980-1981; under the influence of Paul Volcker --head of the United States Federal Reserve-- real interest rates jumped from near zero to close to 10 percent. The flow of external funds was completely cut, and the creditors soon began to demand punctual servicing of the debt and repayment of the principal. To make

² Beginning in the late 1970s Mexico again became a net oil exporter as a result of the discovery of vast fields in the Gulf of Mexico. (Many analysts forget that Mexico had been the world's second exporter of oil until the 1930s). During the following decade both Mexico and Venezuela managed to become paradigmatic examples of Dutch Disease. The huge influx of foreign exchange as a result of oil exports largely contributed to fiscal irresponsibility and the dramatic increase of foreign debt.

matters worse, the fiscal burden was significantly increased because the public sector was forced to assume the loans contracted by overexposed private firms, both domestic and foreign-owned. Latin American states were thus faced with the radical reversal of its role *vis-à-vis* their societies: after being the main instrument for subsidizing firms and redistributing income during the post-war period, they became the key channel for pumping out domestic resources in order to service the foreign debt. Throughout the 1980s, before and after the default of 1982, Latin America became a net exporter of capital, and, from the first time since the 1930s, the region's gross domestic product experienced a sharp decline. Hence, the region's largest countries, which had been autarkic during half a century, were suddenly immersed in the globalization process. But Latin America was "globalized" through its indebtedness; rather than immersed, the continent was drowned by its exposure. The United Nations' Economic Commission for Latin America (ECLA) aptly labelled the 1980s as the "lost decade" for the region.

The second process was initially less apparent than the generalized fiscal bankruptcy and the catastrophic effects it had on economic growth and income distribution during the last quarter of the 20th Century. But it was closely interconnected to it. Although the phenomenon was largely overshadowed by the wave of military coups that plagued the Southern Cone, in the 1970s Latin America started to become democratic.

This democratization process was not paradoxical simply because it was inaugurated under the shadow of Pinochet and his Southern Cone counterparts dislodging various constitutional regimes from power. Democratization was paradoxical in other ways. Contrarily to what most text books on transitions assume, in the late 20th Century representative party democracy was not the alternative of authoritarianism in Latin America. Starting in the 1980s democracy rather filled the void left by the exhaustion of a system that could be defined as politicized statism. In the *longue durée*, and even including the ultimately brief interludes of *sine die* military dictatorships which Guillermo O'Donnell called bureaucratic authoritarianism, the political formula of the state-centric matrix mentioned above was neither democratic nor authoritarian. This formula had a hybrid nature, within which authoritarianism and democracy were, at the same, contradictory and complementary. The defining element of this political formula, thus, was (with the rather marginal exception of Uruguay) an uneasy tension between democracy and authoritarianism.³ In other words, although the

³ The rule of law and representative parliamentary democracy prevailed in Uruguay during the first three quarters of the 20th Century. However, Uruguay --a small country of 3,000,000 people; i.e. well under one per cent of Latin America's population-- stood apart from the major trends

formula's democratic and authoritarian components tried to suppress each other, they ended up coexisting, and even complementing each other. The result was a political formula in its own right, i.e. an institutional and non-institutional mix that pendulated between the two poles. This political formula, which I define as politicized statism, became rather resilient. But its strength depended on relatively volatile attributes: the capacity to deliver pay-offs to social actors, and the appeal of its founding myths, rather than on the legitimacy of its procedural mechanisms.

. The hybrid formula of politicized statism grew increasingly weak during the 1960s and the 1970s. As I have indicated, beginning in the early 1970s state-centric societies failed to adapt to the changing conditions of the world economy; as a consequence its capacity to distribute pay-offs was greatly diminished. Not accidentally, this trend coincided with the weakening of their founding myths. Some earlier and some later, but powerful myths like the Mexican "Revolution", Uruguay's *Batllismo*, Venezuela's *Adeco-Copeyano* bipartisanship; Argentina's Peronism, Brazil's national developmentalism, and Chile's party-centered democracy gradually faltered.⁴

Why do we argue, against the evidence suggested by common sense, that Latin America's democratization actually started in the 1970s? Largely because beneath the dramatic surface of military takeovers and the continent-wide confrontation between leftist insurgency and diehard counterinsurgency, in January 1974 the largest and most populous country, Brazil, was beginning to travel a 16-year prolonged journey towards full political democracy. And indeed the peculiar Brazilian itinerary was more representative of the way in which the processes of democratic installation and consolidation, on the one hand, and market reforms, on the other, were going to become intertwined in the continent

unfolding in the rest of the continent. Chile, has also been defined by some authors as a political democracy since the advent of the Popular Front in 1938. However, as Manuel Antonio Garretón has argued (2003), the exclusion from voting of peasants and urban poor because of illiteracy, and the manipulation of the electoral system until the late 1950s was a major limitation. Thus, its definition as "a restricted democracy until the 1960s" reflects more adequately the nature of the Chilean political system. *Incomplete Democracy. Political Democratization in Chile and Latin America*. Chapel Hill, N.C (United States) and London: The University of North Carolina Press; page 100.

⁴ The 1910 Mexican Revolution put an end to oligarchic rule and it became the founding ground of the Partido Revolucionario Institucional (PRI) which uninterruptedly governed the country until 2000. In Uruguay the brief 1904 civil war was won by the national army under the command of president José Batlle y Ordóñez, whose role in the country's history could be equaled to Turkey's Mustafa Kemal. His *Colorado* party was the cornerstone of Uruguayan democracy until 1973. Finally, *adecos* and *copeyanos* were, respectively, the members of Acción Democrática (AD) and COPEI, i.e. the two political parties that democratically governed Venezuela from 1958 to the early 1990s and the advent of Hugo Chávez.

as a whole in the late 20th Century. The Brazilian journey to democracy was indeed quite long; the transfer of power to a civilian leader from the opposition would take place as late as in 1985, and the first democratically-elected president took office five years later. However, as I already hinted, the complex Brazilian democratization began when the president, General Ernesto Geisel, decided to relax the more repressive aspects of the military dictatorship. These actions came to be known in Portuguese as the *distençao*.⁵ The transition would later go through the stages of *abertura* (i.e. opening), controlled democratization, and finally, the formation of a system that would qualify as a moderately successful competitive party democracy. And it was precisely the tortuous nature of the Brazilian transition to democracy, that ended with the 1990 inauguration of Fernando Collor de Mello as president and its rapid demise, which best exemplified the course of Latin America's political and economic changes of the late 20th Century.

To put it in a nutshell the main arguments of this paper are that:

1) Latin America's contemporary political democracy did not emerge as a result of the defeat, or the collapse, of pre-existing authoritarian regimes; rather it was born in the context of a crumbling hybrid political formula. Many ingredients of this state-centric matrix did not vanish altogether; on the contrary they survived, and thus decisively shaped the contours of the new democracies; and,

2) With the partial exception of Chile, market-friendly state actions promoting deregulation, privatizations and economic opening were not implemented as a result of a process that could be minimally characterized as a governmental plan, or even as a relatively coherent elite-inspired reform agenda. Rather, the adoption of market-friendly policies consistent with the ongoing process of globalization experienced by the world economy since the late 1970s was the last resort in the light of severe hyperinflationary crises –especially in the cases of Bolivia, Argentina, Peru, and Brazil— coupled with unsurmountable balance of payments deficits. All Latin American countries, with the exception of Colombia, experienced the second phenomenon during the 1980s.

III. The paths of market reforms

⁵ In a fundamental sense, Brazil's *distençao* was the precursor of the transitions from authoritarianism of the Southern European triad –Greece, Portugal, and Spain.

The economic reforms implemented during the 1990s were directly inspired by the suggestions/demands put forward by Secretary James Baker to the Latin American governments when they asked for the refinancing/bail out of their debts. The so-called Washington Consensus only gave an academic patina to the code of good behaviour elaborated in 1985-1986 by James Baker as a precondition for persuading the creditors to accept the emission of bonds “guaranteed” by the United States government.⁶ Initially, the new democratic governments under the informal command of the presidents of Brazil and Argentina, Jose Sarney and Raúl Alfonsín, attempted to lead the formation of a so called *Club de Deudores* (Debtors Cartel); they soon failed; each country was thus forced to separately negotiate the re-financing of the debt from an extremely weak position.⁷ What was the core of the message that Baker, and the International Monetary Fund as well, gave to the grieving South American leaders? The savvy Texan politician told Sarney, Alfonsín, Alan García, and other heads of state, that their countries were not only suffering a **liquidity crisis**, i.e. one that could be solved with the traditional fiscal adjustments that the IMF had inspired since the early 1950s. The conventional stand-by agreements signed with the Fund largely rested in reducing state expenditures and increasing the fares of public transportation, power and phone state enterprises, and other analogous measures.

Baker added that the major challenge faced by Latin America was, in fact, associated to an even more serious **solvency crisis**. Inspired by the growing appeal of the neo-liberal economic philosophy, the Treasury Secretary argued that Latin American societies needed to radically deactivate the state-centric economic model that had prevailed since the Second World War. Neo-liberal economists advocated that the long term sustainability of monetary stability and external equilibrium required structural adjustment, i.e. the reduction of the size of the state. But the leverage of the neo-liberal vision was not related to its theoretical appeal; in the late 1980s and the early 1990s the majority of the Latin

⁶ James Baker has been a resilient Washington operator. Originally, Baker was a member of Lyndon Johnson’s Democratic party in his native state of Texas, but he joined the Republicans in the late 1960s. He became an influential figure in several cabinets of Ronald Reagan and George Bush between 1981 and 1993, as Secretary of State, and Secretary of the Treasury. He has recently resurfaced in the forefront of Washington politics; George W. Bush appointed him as coordinator of the so-called Iraq Panel. In turn, John Williamson, an economist, wrote the document that popularized the policy recipes of the resourceful Texan politician.

⁷ Actually, the so-called Baker Bonds were never accepted by the European and United States banks which held the majority of the debt. In contrast, Baker’s successor, Nicholas Brady, managed to make “his” bonds more credible in the eyes of the major creditors. He won international praise, as his biographers would later put it, because his Plan was successful in defusing the \$1.3 trillion Third World (largely Latin American) debt crisis.

American leaders had to extricate their societies from the syndrome of chaotic adjustment.⁸ The way the political economy was evolving provided the explanation: hyperinflation and the debt strangulation had caused a major recessionary process; recession, in turn, resulted in the reduction of the external gap, due to the fall of imports. The improvement of the balance of payments, however, could not be attributed to the success of economic policies: In a rather paradoxical twist, external adjustment was caused by the failure of governmental actions. The traditional tools of economic policy-making had become absolutely helpless to manage the most basic transactions: the currency evaporated; devaluations were ineffective; and the Olivera-Tanzi effect on tax revenues left the treasuries empty.

The syndrome of chaotic adjustment contributed to a drastic de-legitimation of the state, inasmuch as the public sector was incapable of rendering the most basic services. In this dismal context, a void of political authority was generated, and it was not surprising that the vast majority of incumbent presidents saw their parties being trashed in the next round of elections. The most relevant examples of this trend were the defeat of the left-wing coalition headed by president Siles Suazo in the 1985 Bolivian elections, the victory of the opposition Peronist party in the 1989 presidential elections of Argentina, and the surprising electoral success of two political newcomers in the 1990 presidential elections of Peru and Brazil, Alberto Fujimori and Fernando Collor de Melo. Furthermore, both in Peru and Brazil, the presidential candidates of the outgoing power-holders, i.e. APRA and the PMDB, received less than ten per cent of the vote.

And in fact, the successor of Siles Suazo, Víctor Paz Estenssoro became Latin America's first democratically elected president to launch a *Nueva Política Económica* or NEP (i.e. a new economic policy) inspired by the recommendations of the neo-liberal gurus. Like other new presidents who came to power during the late 1980s and adopted the neo-liberal creed, like Argentina's Carlos Menem, Mexico's Carlos Salinas and Venezuela's Carlos Andrés Pérez, Paz Estenssoro was a prominent member, actually the founder, of a party which had promoted *dirigiste* policies since the 1940s. The Movimiento Nacionalista Revolucionario (MNR) had engineered an anti-oligarchic revolution in 1952 which implemented a radical agrarian reform and nationalized the tin mines. The new kind of self-made politicians –all former ideologues of national-statism and practitioners of

⁸ Cf. Damill M., J. Fanelli y R. Frenkel (1994), "Shock externo y desequilibrio fiscal. La macroeconomía de América Latina en los ochenta. Argentina", Documento CEDES N° 105, Buenos Aires, Argentina.

populist clientelism— were the protagonists of a formidable ideological leap into liberal anti-statism. The implementation of the required policies often included severe repression of the unions, firing of public employees, and closing down of deficit-ridden public enterprises.⁹ The erstwhile populists had undertaken unpopular measures of this sort in the past; the Menems and the Salinas of the 1980s belonged to the breed of politicians who would be capable of maintaining an even kill in the face of pressure. However, the crucial difference was that this time they dismantled unions (and especially in Bolivia and Mexico jailed and killed scores of their leaders) in the name of, and with the rhetoric, of the economic orthodoxy they had condemned during their entire political careers. In fact, the populist-turned-into-orthodox leaders probably overacted the neoliberal *libretto*, because they felt that they had to erase the political sins of their pasts in order to convince their new partners.

The reason for the turnaround was quite clear; the presidents did it for political survival. All of them needed to restore political authority in the eyes of the main actors of the drama of chaotic adjustment: foreign creditors, the United States government, domestic firms in the brink of bankruptcy, and last but not least, the populace facing inflationary levels that threatened bare survival. And in the medium run, most of these “hyperpresidents” achieved success in reaching their main objectives.¹⁰ First, and foremost, they restored monetary stability with

⁹ Perhaps the harshest structural reform was the one carried out in Bolivia by Paz Estenssoro. Public sector employment was cut from 245,000 employees in 1985 to 204,000 in 1988 and state companies went from 100 to 56. Public deficit was reduced from 15% to 2.3% of the Gross National Product in one year. (Juan Antonio Morales. 1994. “Democracy, Economic Liberalism, and Structural Reform in Bolivia,” in William Smith, Carlos Acuña & Eduardo Gamarra (eds.) *Democracy, Markets and Structural Reform in Latin America*. New Brunswick (U.S.A) and London: Transaction Publishers.

¹⁰ In a previous article I have argued that the “hyperpresidents” were able to establish a sort of complicity with the popular masses that reinforced the populations political apathy. “After experiencing dramatic declines in their standard of living, as well as suffering the effects of hyperinflation, the popular sectors and segments of the middle class longed for some who would ‘get things done,’ without requiring their participation beyond the act of voting. ... The new *caudillos* were shrewdly attuned to this collective mood and promised to accomplish their objective while arguing that political organization and mobilization were counterproductive. ... They also favored a style of leadership in which they attempted to maintain the initiative in a exclusionary fashion, thus permanently generating political innovations linked to an increasingly absorbing and exceedingly centralizing presidency ... (Last but not least) the practices of hyperpresidents like Fujimori, Menem, and Salinas have rekindled and intensified a trait already present in the state-centric matrix: a significant degree of corruption.” Marcelo Cavarozzi, 1994. “Politics: A key for the Long Term in South America” in William Smith, Carlos Acuña & Eduardo Gamarra (eds.) *Latin American Political Economy in the Age of Neoliberal Reform. Theoretical and Comparative Perspectives for the 1990s*. New Brunswick (U.S.A) and London: Transaction Publishers; pages 146-147

unprecedented speed.¹¹ Second, Latin American economies overcame recession, with some of them reaching relatively high rates of growth during most of the 1990s. Third, investment in infrastructure –especially in energy, transportation, and communication-- reached high levels, a trend that contributed to increase the degree of competitiveness of selected export sectors.

The virtuous circle of the neo-liberal began to weaken in the mid-1990s. The *Tequila* crisis hit Mexico in late 1994 –at the time of Salinas’ transfer of power to his fellow party member, albeit unlikely successor, Ernesto Zedillo. Lenders clearly perceived that Mexico would not be able to continue servicing its debt since domestic investment and consumption was financed through an annual external deficit of over thirty billion dollars. A run on the peso forced an initially disorganized devaluation; however after the replacement of minister of Finance Serra Puche, the United States government decided to intervene and it swiftly organized the hitherto largest bail-out of the history of world finances. Under the leadership of the president Clinton, Mexico received a contingent loan of over fifty billion dollars, including ten billion of the United States Emergency Stabilization Fund. As a result of the installation of the United States protective umbrella ... and the rise of Mexico’s (cheaper) exports –during 1995 the peso-dollar parity went from three to eight—the country was able to recover its relatively moderate rate of growth. Most of the other countries of the region, which had been hardly hit by the *Tequila* effect, were able to restart growing. The only economy of the region which avoided the dramatic downturn of the mid-1990s was Chile.

Anyway, the relatively strong growth rates of the post-*Tequila* triennium proved to be little more than a mirage. In 1997, the crisis of Thailand’s currency fueled the loss of confidence in Malaysia, and immediately in Indonesia and South Korea; the South East Asian crisis was soon followed by the partial collapse of the Russian economy.¹² Beginning in 1998, the growing volatility of the world’s financial markets reached Latin America’s beaches. After the devaluation of the Brazilian *real* in early 1998, several of the region’s economies began to experience the mounting loss of confidence of investors and, hence, serious threats of de-stabilization. This pervasive trend culminated with the largest public default of world’s economic history, i.e. Argentina’s economic and

¹¹ In Bolivia and Argentina, inflationary rates went from levels of 8,000 % and 6,000 % per year to one digit rates in less than twelve months.

¹² Reflecting upon the succession of South East Asian crises, Paul Krugman (1999) stresses the importance in economics of "... panics that, whatever sets them off, validate themselves –because the panic itself makes panic justified." *The Return of Depression Economics*. New York: W.W. Norton & Company.

political meltdown of December 2001. Ocampo aptly characterized the 1997-2002 years as “Latin America’s Lost Half Decade.”¹³

IV. The continuity of neo-liberal policies in the midst of their politico-cultural crisis in the turn of the Century.

The beginning of the 21st century clearly exposed the main shortcomings of the neo-liberal model. Some of them were associated to the “**success**” of the neo-liberal policies:

- 1) The deepening of the trends of wealth and income concentration initially triggered by the Southern Cone “foundational” military dictatorships and 1982 debt crisis;¹⁴
- 2) The growing segmentation of the labour market as a result of the significant reduction of unionized workers and the expansion of the size of the so-called informal economy;
- 3) The pronounced deterioration of health and education services rendered to the lower strata of the population; and
- 4) The deepening of various patterns of inequality and exclusion, a phenomenon which has increased the growing risk of widespread societal disintegration. One of the consequences of this trend has been the expansion of subcultures of the poor in urban enclaves controlled by powerful criminal associations. Although the most relevant examples are the ones offered by Rio de Janeiro and Sao Paulo in Brazil, similar phenomena are apparent in many Mexican cities controlled by narco-traffickers and the growth of *maras* in Honduras, El Salvador and Guatemala.
- 5) The privatization of collective behaviour as a major socio-psychological phenomenon.

The above-mentioned shortcomings were inherent attributes of the neo-liberal model. However, the trends prevailing in the late 20th Century made apparent the fragility of those ingredients of neo-liberal policies which were supposed to ensure its dynamism in the long run:

- 1) High indexes of economic growth proved to be extremely feeble in the volatile global context;
- 2) The continued dependence upon the influx of foreign capital seriously threatened the sustainability of growth; and

¹³ José Antonio Ocampo; *América Latina y la economía mundial en el siglo XX largo*. Unpublished manuscript

¹⁴ Manuel Antonio Garretón; *Ibidem*.

3) Safety nets that were supposed to protect the more vulnerable segments of the population in times of recession were wiped out by, what some analysts argued, were the unintended consequences of de-statization.

V. Post-scriptum

Latin America's apparent political and ideological U-turn *circa* 1980, in fact, seemed to forecast the worldwide eclipse of the visions and utopias of the socialist left in its two variants, the insurrectionary and the parliamentarian. In a certain way, this conclusion would be supported by the unexpected end of the Cold War: the collapse of socialism materialized a few years later with the breakdown of the Soviet Union and China's shift towards capitalism during the 1990s. Furthermore, during the 1990s in Latin America itself economic policies almost uniformly adopted a pro-market orientation that reinforced the view that socialism and economic nationalism were phenomena of the past.

However, in the early years of the 21st Century, Latin America appears to be reversing its course again. Analysts from different academic and ideological persuasions have argued that Latin America is "turning to the left," and that the rebirth of nationalist and neo-populist economic policies could probably lead the region into further disarray. The high visibility of Venezuela's Hugo Chávez, and more recently of Bolivia's Evo Morales, i.e. two leaders who have combined a strong anti-United States rhetoric, a *rapprochement* with Cuba, the mobilization of popular sectors against "internal" and "external" enemies, and a heterogeneous array of statist and nationalistic policies, has fueled these views. Yet another just-assumed South American president, Ecuador's Rafael Correa, has openly proclaimed his ideological proximity with his Venezuelan and Bolivian counterparts. Even more so, a broader trend seems to have been in the making: several parties which had sustained in their programs the need of superseding capitalism are now in power –i.e., Socialists from Chile and Uruguay, Brazil's Partido dos Trabalhadores (PT), and Nicaragua's Sandinistas. Still, if one examines Latin American reality with a lighter charge of drama, one could not fail to realize that there are as many right-leaning presidents as leftists. On the one hand, there are the traditional conservative Central American triad of Guatemala, Honduras and El Salvador –i.e., countries which have been ruled by conservative presidents since the military left the formal positions of power, albeit retaining connections with illegal trafficking and paramilitary death squads. On the other hand, there are other countries, three of them among some of the region's more highly populated ones, like Mexico, Colombia, Peru, and Costa Rica-- that have recently elected (or re-elected) middle-of-the-road or conservative politicians as

presidents; Felipe Calderón, Álvaro Uribe, Alan García, and Oscar Arias, respectively

But, are we in the right track if we simply scan the region trying to define actors in terms of a right wing/left wing distribution? I would argue we are not. On the one hand, the “turbulent periphery” –resorting to the captivating imagery of Wanderley Guilherme dos Santos—is often less amenable to dichotomous partitions of reality than the center.¹⁵ As the well known Brazilian political scientist puts it

... dichotomies surpass the elementary level of conceptual hastiness with difficulty. Right and left do not usually take ambidexterity into account; the fight between right and wrong tends to exclude purgatories; the beauty and the beast are insensitive to the intermediate *charme*.

An obvious example of the weakness of conceptualizations that do away with nuances of political phenomena was given by Seymour Martin Lipset and Gino Germani in their less than successful efforts to define Peronism as a kind of Fascism of the left.¹⁶

In the way of a preliminary conclusion I would argue that the most pervasive political trend in most countries of the region is the existence of a virtual political void. Political democracy has failed to take roots and its traditional adversaries (military regimes, populist corporatism, oligarchic neo-clientelism) have been thoroughly discredited, both internally and internationally. It is not surprising that several Andean countries are witnessing the return of nationalistic ideologies. Especially in Bolivia and Ecuador, the politics are facing the dilemma of preserving various modes of direct democracy (including elements of increased popular participation, on the one hand, and of plebiscitarian delegation, on the other) and subcultural associationism (ethnic communities, unionized landless and unemployed groups, neighbourhood associations, non-catholic religions, organized cliques of football fans) while integrating them into public arenas and stable patterns of collective behaviour consistent with the rule of law.

The irrelevance of political institutions is a major threat to the achievement of viable societies in Latin America. Democratic and republican institutions in

¹⁵ Wanderley Guilherme dos Santos. 2006. *Horizonte do desejo: instabilidade, fracasso coletivo e inércia social*. Rio de Janeiro: Editora FGV; pages 17-18

¹⁶ Cf. Gino Germani. 1962. *Política y sociedad en una época de transición. De la sociedad tradicional a la sociedad de masas*. Buenos Aires, Paidós; page 231, and Seymour Martin Lipset, 1960. *Political Man. The Social Bases of Politics*. Garden City, New York: Doubleday; pages 173-176.

general, and party politics and governmental agencies in particular, have become increasingly ineffective in addressing, not to mention solving, the problems affecting the daily life of the different social sectors, from the upper to the lower classes. One of the undesirable consequences is the expansion of diverse patterns of informal privatization of sociability, mere survival, profit maximization, and security. This obviously works for the advantage of the more powerful *poderes fácticos* --from firms operating beyond regulations (black markets and the informal economy) to narcotraffic and terrorism. In the case of some economic actors, in particular, they are fully equipped to use to their advantage, the possibility of circulating back and forth legal and illegal channels. An additional negative outcome of this type of privatization is political corruption. Many politicians have adapted in a perverse way to the growing irrelevance of party politics. In addition to the growth of overt and hidden forms of “politics for profit,” personality has tended to overwhelm political content. Thus, personalism, a traditional feature of Latin American politics, has become an even more effective trump card than in the past. Politicians who emphasize substantive, but seemingly non urgent issues, are easily displaced by “star politicians” like the Fujimoris and Menems of the past decade, who skilfully resort to the message “I can do it better if you (the individual citizen) leave it to me.”

Last but not the least, one factor that cannot be dismissed is the irrationality of United States strategies during the George W. Bush years. The protracted conflict with Castro’s Cuba (a conflict which has become a political relic at this point), the tendency (largely rooted in short-term electoral calculations) to engage in verbal warfare with Hugo Chávez, and the myopic reading of the political and social trends unfolding in two major countries like Mexico and Colombia (where the United States government has been supporting the “struggle” against rural guerrillas and urban crime as a part of his world wide fight against international terrorism).

It looks extremely difficult at this point to what contributions could moderate Republican or Democratic administrations in the United States make to overcome the dead ends in which quite significant issues have become entangled. Let me finish just mentioning a few of those issues which will contribute to decisively shape the future of Latin America in the coming decades: 1) an open-minded bargaining of the drug issue, not excluding the possibility that some of the region’s countries could decide to legalize drugs; 2) a realistic and long-term negotiation of the trade conflicts involving agricultural and mineral commodities, and other products like steel; and 3) agreeing upon a joint approach toward finding solutions or palliatives to uncontrolled immigration

flows. In summary, the mid-2000s are witnessing the loss of an opportunity to go beyond the one-dimensional strategies that prevailed during the Cold War.