Latin America: Crises, Upheavals, Roads to Twenty-First Century Capitalist Development

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Introduction

Over the better part of the present decade, Latin American stock markets have boomed. Overseas investors have reaped and repatriated billions in dividends, profits and interest payments. Multi-national corporations have piled into mining, agro-business and related sectors, unimpeded and with virtually no demands by local regions for 'technological transfers' and environmental constraints. Latin American regimes, have accumulated unprecedented foreign currency reserves to ensure that foreign investors have unlimited access to hard currencies to remit profits. The decade has witnessed unprecedented political and social demobilization of radical social movements. Regimes have provided political and social protection for foreign and national investors as well as long term guarantees of private property rights.

Nary a single regime in the region, with the unique exception of Venezuela, has reverted the large scale privatizations of strategic economic sectors implemented by previous neo-liberal regimes in the 1990's. In fact the concentration and centralization of fertile lands has continued with no pretense of land or income redistribution on the policy agenda. While bankers, and investors, overseas and nationals, celebrate the economic boom and more importantly express their positive appreciation by investing billions in the region, leftist pundits claim to find a "resurgent left" and write of one or another version of 21st century socialism. In particular many prominent and widely published Euro-American progressives and leftists intellectuals and pundits have badly served their followers and readers. Commentaries based on jet flyovers provide glowing reports of Latin America's march to the left and national independence. Such accounts lack any empirical, historical, analytical or statistical foundation. Writers as diverse as Chomsky, Tariq Ali, Wallerstein, who have never conducted any field research below the Rio Grande at any time or for that matter consulted major investors reaping billions in today's Latin America have become instant experts on the social and political nature of the regimes, the state of the social movements and current economic policies. It seems as if Latin America is fair game for any and all Western leftist writers who can echo the political rhetoric of the incumbent regimes. No doubt this secures an occasional official invite but it hardly serves to clarify the most striking socio-economic features of the current crop of regimes in Latin America and their sharply defined development strategies.

A wealth of data based on extensive field interviews, statistical studies published by international development agencies, reports by economic consultancies and business and investment houses, as well as discussions with independent social movement leaders provides ample documentation to argue that Latin America has taken multiple roads to 21st century capitalism, not socialism or anything akin to it.

In fact one of the great success stories celebrated by the business press, is the marginalization of socialist politics, the general acceptance of "globalization" by the leaders of the political class (from the center-left rightward) and the de-radicalization of the intellectual/academic elite who wage battle against neo-liberal phantoms while providing populist legitimization for the politicians of 21st century … capitalism.

Twenty-First Century Capitalism: Continuities and Changes

Investors, speculators, multinational corporations and trading companies from Asia, Europe, North America and the Middle East have, in recent years found virtue and value in the economic development policies pursued by recent Latin American leaders. In particular, they applaud the new found political stability and economic opportunities for long term, high rates of profits. In fact Latin America is looked at as an outlet for profitable investments surpassing those found in the unstable and volatile markets of the US and EU.

Twenty-first century capitalism (21C) as we know its operations in Latin America overlaps in some of its major features with the multiple variants of 20th century capitalism. 21C has embraced the "open market" policies of the late 20th century neo-liberal model; it has, promoted agro-mineral exports and importation of finished goods similar to the early 20th century colonial division of labor. It has borrowed from the nationalist developmental strategy, policies of state intervention to ameliorate poverty, bailout banks, promote exporters and foreign investors.

As in most 'late and 'later' developing capitalist countries, the state plays an important role in mediating between agro-mineral exporters and industrial capitalists (national and foreign) in some of the larger countries like Brazil and Argentina.

Unlike earlier versions of liberal and neo-liberal capitalists which, in the first instance dissolved pre-capitalist constraints on capital flows and later labor and welfare demands constraining capitalist exploitation, current heterodox liberal (or "post-neo-liberal") regimes attempt to harness and co-opt labor and the poor to the new export strategy. In part, 21st capitalism, can pursue "free market" and welfare/poverty policies because of the favorable world market conjuncture of high commodity prices and expanding markets in Asia.

Increased activity by the state in regulating capital flows and "picking winners and losers", promoting agro business over small farmers, exporters and large retail importers over small and medium producers and retailers – highlights the compatibility, indeed the importance, of state interventionism in sustaining the "free market" agro-mineral export model. While some sectors of capital complained about potential deficits and rising public debts resulting from increased state spending on poverty programs and in raising the minimum wage, in general most capitalist view the current version of "statism" as complementary and not in conflict with the larger goals of expanding investment opportunities and capital accumulation.

The ideologues of 21C have played a significant role in securing the legitimacy of the system, especially in its initial period, by projecting images and narratives of "anti-imperialism", "twenty-first century socialism" and in the Andean countries a new "indigenous" variant of a "democratic and cultural revolution" (Bolivia). Given the heavy reliance on the extractive development strategies and the strong presence of foreign corporations in strategic economic sectors and on lands, in or proximate Indian territorial claims,traditional Indian rituals and symbolic representations, anti-imperialist rhetoric and charisma plays a key role in greasing the wheels of 21C, in the face of rebellious popular constituencies (especially in Peru, Ecuador and Bolivia).

The paradox of putative "center left" regimes embracing the liberal 'colonial division of labor' in relation to the world market is to some degree obfuscated by the greater diversification of markets. "Coloniality" is identified with economic relations with the US while the new economic ties with Asia are presented as expressions of south-south solidarity and other such euphemisms, even as the latter mirrors the former in economic essentials. Nevertheless there are important political differences between the US and China, insofar as the latter does not engage in coups and clandestine operations and military interventions (at least in Latin America).

Key to the 21C model is social stability, preservation of the liberal democratic political framework and civil supremacy – all of which pits these governments against the US backed coups in the continent, including failed coups in Venezuela(2002) and Bolivia(2008) and a successful coup in Honduras (2009).

If US style militarism is a potential external destabilizing factor, the growth of narco-capitalism in the economy and state is a major domestic threat, now mostly concentrated in North America (Mexico), Central America, the Andean countries (Colombia). The dilemmas of 21C is how to balance between the destabilizing role of US drug agencies and the need to ensure "good relations" with all major trading partners-including the US.

The State of the State in 21C Latin America

Coming out of the crises and breakdown of neo-liberalism at the turn of the century, the state emerged with a stronger and more active role in the economy, particularly with regard to regulating overseas financial flows. Several regimes, increased the state's role in revenue sharing with foreign MNC (Brazil, Bolivia, and Venezuela). Others partially or wholly nationalized a few troubled enterprises (Venezuela, Bolivia, and Argentina). Still others paid off their debt to the IMF, in order to end its "supervision" over fiscal and macro-economic policy (Brazil, Argentina). Most states adopted economic stimulus policies to reactivate the economy, reduce unemployment and accommodate some of the social demands of labor. All governments adopted policies designed to maximize income and revenues from the rising prices of commodities, by investing in and promoting the exploitation of agro-mineral production.

To cushion against future external economic shocks, the states adopted conservative fiscal policies, accumulating budget surpluses and increasing foreign reserves.

Not withstanding the expansion of the state's role and its timely intervention to maximize benefits from world demand, it remains a subordinate partner to private capital. Even in Venezuela where several important industries were nationalized, state enterprises accounts for less than 10% of the GNP. Equally important the state and economy, public and private, is subordinate to a global "colonial division of labor" in which Latin America, exports agro-mineral products and imports finished goods. The emphasis on extractive industries, encourages large scale foreign investments, while stable, orderly, fiscal balance sheets, large scale foreign reserves and relatively high interest rates attracts financial capital.

The appearance of a strong state, however, is belied by several historical and structural factors. While some regimes purged a few of the top military and police officials from the previous dictatorships, there was not institutional transformation, including the process of recruitment, training and political reorientation.Moreover all governments continue to collaborate with and join in military exercises and training missions with US military advisory programs, with a notorious history of being the "schools of the coup-makers". Equally dangerous to state stability, the new development strategy depends on and promotes business elites, who in the past sought out military officials and fomented coups, when and if they felt their profits or interests, were threatened.

The current stability of the Latin American states rests in part on potentially volatile commodity prices and demand, military institutions with many carryovers from the past and too many links to Washington coup-masters and a private sector willing to abide by the rules of democratic capitalism, as long as they continue to exercise hegemony over the society and economy.

Comparing the 'Orthodox' and 'Heterodox' Roads to 21st Capitalism

Considering the fact that, for now and the foreseeable future, none of the Latin American countries have any plans or projects to socialize the economy – with the possible exception of Venezuela – the key theoretical and practical issue is identifying the divergent roads to capitalist development. By origin, trajectory and social alliances we can identify 'heterodox' and 'orthodox' strategies, with some overlap at the margins.

The heterodox approach to 21C is sometimes dubbed "21 Century Socialism" by some of its local publicists, primarily by overlooking such commonplace considerations as the private ownership of the principle means of finance and production (banks, industries, mines, trade, plantations), the large scale influx of "hot money" in pursuit of bonds bearing high interest rates and low rates of royalty payments on the extraction of minerals and energy resources.

One of the keys to understanding the emergence of 21C is in its origins in the popular political upheavals and the ideological "rupture" with the previous "neo-liberal" epoch. The radical origins left an imprint in concrete measures adopted by the emergent regimes, the style of politics and the search for new sources of ideological legitimation.

By force of circumstances, namely the economic crises of neo-liberalism, the new "post neo-liberal" regimes adopted a series of populist measures to ameliorate poverty, reduce unemployment and reactivate the economy. All of these changes meant active state intervention to rectify the failures of the 'market', while seeking to secure the interests of the capitalist class. These measures were accompanied by a strong dosage of anti-neo-liberal rhetoric to accommodate popular rage against the inequities of the system. In some cases these changes were accompanied by a vague reference to "socialism" without central planning, public ownership or worker management. The trajectory of regimes pursuing the heterodox road began with populist welfare measures, which were gradually diluted over time as social pressures and unemployment diminished and re-activization took hold. By the end of the decade (2010), the post neo-liberal regimes turned more and more toward "developmental modernization". The latter approach was driven by a high powered campaign to maximize private, especially foreign investment, especially in the high growth export sectors. The reordering of the post-neo-liberal state stopped well short of anything beyond replacing "neo-liberal" technocrats with others more attuned to the new heterodox leadership. For the most part, efforts were made for greater flexible accommodation of domestic and foreign social partners via conciliation of ‘moderate’ trade union and social movement leaders and the business elite.

The heterodox road to 21C has the good fortune to coincide with the world commodity boom and the good sense to put in place financial controls which softened and shorted the duration of the US-EU induced financial crash (2008-2010) and economic recession.

The ‘orthodox’ road to capitalist development was able to sustain the neo-liberal policies, through a harsh regime of repression, electoral chicanery and in some cases by outright terror, closing political space and precluding popular upheavals which might have led to heterodox policies. Prominent to the orthodox road was the rise and consolidation of a lumpen-bourgeoisie which brought in tens of billions of dollars in revenues from drug and other illicit activities which were laundered in the formal economy and provided a modicum of economic growth in certain sectors. While the heterodox model diversified trade and markets, with dynamic partners in Asia, the orthodox model remained wedded to stagnant US markets. Bilateral ties with US imperialism weakened domestic economic priorities and heightened public expenditures in non-productive (military) sectors.

The Divergent Outcomes of Hetero and Orthodox Models of 21C

The most striking differences between heterodox and orthodox economic performances is found in the striking growth, poverty reduction, and political democratization in Brazil, Bolivia and Argentina and until 2009 Venezuela and the social regression, economic stagnation, gross violation of human and democratic freedoms found in ‘orthodox’ Mexico and Colombia. Extreme violence characterizes rule by the political elites in the countries pursuing orthodox neo-liberal policies. In contrast there is a process of state consolidation based on relative open politics among the countries pursuing heterodox policies. There seems to be a strong correlation between economic growth, political legitimation, poverty reduction and the decline of state repression as a mechanism of political rule.

On the other hand there is a strong correlation between the growth and incorporation of large scale drug trafficking into the economy and polity, the reliance on violence and free markets to forcibly dispossess small holders and the increase reliance on corruption and force in the formation and maintenance of governing elites.

Heterodox models imply and practice the politics of social incorporation via capitalist welfarism, (non exempt from corruption and patronage) and tripartite consultation. Orthodox regimes operate through unregulated capital markets and its ruinonous effects on small producers, public sector employees and wage workers.

The heterodox models, though drawing heavily on foreign capital, retain, cultivate and promote national capitalists linked to the domestic market and dependant on mass consumption. These sectors are not always opposed to periodic increases in wages.

The regimes pursuing orthodox strategy, heavily dependant on declining US markets and on large scale military and police expenditures, have lost out on the lucrative markets of Asia, the Middle East and other regions. Moreover, in the case of Mexico its structural dependence on an unstable tourist economy, declining immigrant remittances from an increasingly anti-immigrant US and petrol exports in decline due to negligent management, is a result of its early embrace of “free trade’ (NAFTA). The latter destroyed its diversified productive base and encouraged the turn to narco trafficking.

The result of the orthodox strategy of unregulated capital flows has two major negative consequences: it has led to the massive outflow of Mexican capital – licit and illicit – into the US, especially in real estate, bonds and stocks, depriving Mexico of investment capital. Secondly, the close links between Mexican and US finance, led to the transmission of the Wall Street financial crises impacting on Mexico's financial and credit markets as well as its "real economy". In contrast, in most of the heterodox economies, which had earlier suffered from close links to Wall Street, their tighter financial controls diluted the impact of the US crises on their economies.

Peru: A Hybrid Version of Hetero-Orthodox Strategies:

Peru has experienced the high growth characteristic of the heterodox economies, while relying on 'orthodox' neo-liberal policies. It combines the extractive export model without the compensatory social welfarism and tripartite polices of the heterodox capitalist models. Peru has diversified its overseas markets – Asia is its principle export market – while embracing bilateralism and military ties with the US. It is a major drug producing and trafficking venue, but the drugs do not dominate the economy and political system to the same degree as Mexico and Colombia. While poverty reduction has not been pursued with the same vigor as Venezuela, Brazil, Argentina, it has increased the consumer power of the urban middle classes, especially of Lima. While Bolivia pursues policies of symbolic representation, legal protections and political patronage to the Indian movements, Peru under Garcia, like Ecuador under Correa are more concerned about promoting investments from foreign owned mining companies as the vehicles for what they call "economic modernization" than respecting the claims of indigenous peoples.

High commodity prices, especially for industrial and precious metals, rising demand and large scale investments under conditions of limited nationalist opposition, allows Peru to sustain high growth, even as it neglects the welfare component of the heterodox model. There are indications of change. In the recent (2010) mayoralty election in Lima, a mildly center-left candidate defeated an orthodox neo-liberal, raising the possibility that the next regime may 'modify' the orthodox model toward greater "welfarism".

Crises, Upheavals and the 21st Century Road to Capitalism

The crises of neo-liberalism generated a variety of political outcomes; with the possible exception of Venezuela, the popular revolts which took place in the immediate aftermath of the crises all led to capitalist outcomes, albeit sharply divergent ones. For the majority of Latin American states it meant a sharp increase in state intervention, even temporary takeovers of bankrupt or near bankrupt banks to save depositors and investors: a kind of "statism" by capitalist invitation (or obligation). The new statism became the bases for the emergence of 21st century capitalism. The "anti-neo-liberal ideology" articulated by its practioners befuddled impressionistic western intellectuals who saw it as a "new variety" of socialism or at least a "stepping stone" in that direction.

In historical perspective, statism, was from the beginning, a necessary first step toward the reactivation of capitalism. The apparently radical "first steps" were in fact the end game of the popular rebellions of the turn of the decade. Over time, especially with the economic recovery and the commodity boom, capitalism experienced a take off by the middle of the decade. Heterodox capitalism began to shed some of its distinctively several welfarist features in favor of a straight developmentalist perspective. Technocrats emphasized large scale long term foreign investments and "economic modernization". This meant public-private investments in infrastructure, to accelerate the movement of commodities to world markets.

The sustained growth of the heterodox model put an end to the radical debate on globalization, by adopting it with a vengeance. The new argument between the heterodox and orthodox focused on how "globalization" could be harnessed to national growth and made to work for all classes via appropriate distributive mechanisms. In other words, the heterodox capitalists argued that greater global integration would deepen and increase the wealth available for social welfare. With the advent of adverse global conditions during the crises of 2009, intensified competition and a temporary decline in prices, the heterodox policymakers argued that global conditions prohibited increased social spending and wage and salary increases. With rapid economic recovery and the rapid rise in commodity prices by mid 2010, wage and salary tensions increased.

If the impetus for the onset of the new heterodox regimes was the crises of neo-liberalism, the subsequent economic success of the heterodox regimes set in motion the dynamic growth of powerful business interests seeking to refashion a more conservative rightist political configuration. The latter would reduce the wage and social welfare cost of the export sector. In effect the success of capitalist heterodoxy and its trajectory toward high growth based on large scale capital inflows has set in motion a shift to the right, including right wing political alternatives.

While important differences still persist between heterodox and orthodox roads to capitalism, the tendency is for these to diminish. The orthodox faced by the world recession resorted to greater state intervention to prop up the economy while the heterodox increased their pursuit of greater market shares by broadening their appeals to international investors.

As the Latin American countries move beyond the crises of 2008-2009, the improved economic performances, does not appear to correlate along the orthodox-heterodox axis. Slow recovery is most evident in Venezuela (heterodox) and Mexico (orthodox); while rapid recovery is evident in Brazil (heterodox) and Peru (orthodox). While one might cite Venezuela and Mexico's dependence on the US market and Brazil and Peru's links to dynamic Asian markets, we need also to analyze the internal class composition of each set of countries. The predominance of "rentier" elites in Venezuela and Mexico in contrast to dynamic domestic and foreign capitalists in Brazil and Peru may account for some of the differences in performances. Clearly identifying the 'dynamic' road to 21st century capitalist development is problematic and the outcome uncertain. The question of whether the commodity boom is part of a long or short cycle may be a determining factor in shaping the possibilities for the reappearance of authentic 21st century socialism.

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