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Latin America: Growth, Stability and Inequalities: Lessons for the US and EU

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Introduction: Images of the Past

The image of Latin America portrayed by the mass media and held by the educated public is a region of frequent coups, periodical revolutions, perpetual military dictatorships, alternating boom and bust economies and an ever-present International Monetary Fund (IMF) dictating economic policy.

In contrast the same opinion makers plus their academic counterparts project images of the United States and the European Union as stable societies, with steady economic growth, incremental expansion of social welfare programs, resolving issues via consensual compromises and practicing sound fiscal policies.

In recent times, the better part of the current decade, these images have taken on the character of ideological dogmas – they no longer correspond to reality. In fact a good argument can be made that the roles have been reversed: the US and EU are in perpetual crises and Latin America, at least most of the major countries, have experienced stability and growth which is the envy (or should be) of Washington pundits and financial commentators. This 'role reversal' has been recognized by many US, EU and Asian investors and multinationals, even as respectable journalistic hacks for the Financial Times, NY Times and Wall Street Journal still write about vulnerabilities, imbalances and other weaknesses while grudgingly acknowledging the dynamic growth of the region.

Progressive opinion is equally at fault, focusing on the 'advances' of the left regimes but overlooking the underlying dynamics affecting most of the region and thus losing sight of the new points of conflict and contention.

We will proceed to outline the contrasting realities between the crises ridden "North" (US/EU) and the sustained growth of the "South" (South America). The analysis will raise questions of whether the South American experience is transferable to the North and what 'structural adjustments' would be necessary to pull the US and EU out of the downward spiral of stagnation and violent conflicts which have characterized these regions for the better part of the past decade.

The Lost Decade, US and EU Style

The Latin American countries during the 1980's experienced a deep and persistent crises, manifested in negative growth, increased poverty levels and heavy indebtedness, which allowed creditors (like the IMF) to impose harsh and regressive austerity measures and "structural adjustment" policies which came to be known as 'neo-liberalization'. These included the privatization of most strategic, lucrative public enterprises, and the ending of any semblance of state directed industrial strategies. For the peasants and the working and middle class the short-lived neo-liberal "boom" of the 1990's was a continuation of the 'lost decade' of the 1980's. The neo-liberal policies of the 1990's were based on fundamentally flawed structural foundations and polarizing income and public expenditures involving huge transfers of income to capital and downward pressures on wages and welfare. The neo-liberal regimes

went into a deep crisis early in 2000 provoking major popular upheavals. The outcome resulted in a new set of political configurations and social power equations, which evolved into new post-neoliberal regimes, at least in most of the major countries in Latin America .

In contrast and in part thanks to the profitable opportunities opened by the debt crises and neo-liberalization of Latin America in the 1990's (and in the ex-Soviet Union, Eastern Europe and the Baltic/Balkan states) the US and EU prospered. In Latin America over 5,000 lucrative extractive resource based industries, banks, telecommunications and other industries passed into the hands of foreign private MNC and local capital .High returns on bonds and loans and rents from technology transfers enriched the Northern capitalists even as poverty multiplied in the South. The 1990's was the "golden age" of Western capital as profits rose and leftist parties and the traditional urban trade unions appeared unable to withstand the 'wave' of predatory capitalism capturing the commanding heights of the economy.

The very successes of the US and EU countries, the enormous easy gains from pillage, speculation, and exploitation led to the dominance of financial capital and the belief in an irrevocable "new world order". The dominance of the US and EU was built on their military superiority backed by pliant, collaborative, neo-liberal client regimes. The 'new order' lasted less than a decade: the economic crises of 1999/2000 smashed the illusions of a century of imperial grandeur. As markets collapsed so too did the Latin American oligarchic electoral regimes (dubbed "democracies") which along with the financial elite and the military formed the triple alliance that defined Western supremacy. The final blow was the economic crises of 2001-2002 in the US and EU which steeply eroded their capacity to intervene and prop up their collapsing Latin clients ousted by rebellious masses.

The first decade of the new millennia has been the 'lost decade' of the North. Over the course of the past eleven years the North has witnessed stagnation and recessions which have not given way to recoveries. The capitalist states temporarily saved the bankers but were powerless to set in motion economic growth.

The credit rating of the US economy was downgraded by the risk agencies. Unemployment and underemployment hovers close to one-fifth of the labor force, figures comparable to stagnant Third World countries. Social programs are severely slashed in the US and throughout the European Union, reversing decades of incremental gains. Trade and budget deficits in the US have become chronic, while private and public lenders are becoming increasingly reticent to lend in the face of deep-seated recessionary tendencies. The financial sector in the US and EU is rife with large scale fraud, swindles, mismanagement and falsified balance sheets, conditions previously prevalent among Latin economies. Wars proliferate. Military spending far exceeds productive investments, draining the US economy in a fashion reminiscent of the weapons spending during the reign of the warlords of Africa and the military dictators of Latin America . In the EU faced with brutal cuts in wages, pensions and jobs millions of workers and unemployed youth in Greece , Portugal , Spain and Italy have taken to the streets. General strikes threaten the stability of increasingly isolated regimes, reminiscent of the popular rebellions which resulted in regime changes in Latin America in the late 1990's and early 2000's. In the US , public protests reflect deepening private discontent: over 75% of the population expresses negative views of the Congress and 60% of the White House. Deepening political alienation of the US electorate is comparable to the loss of popular faith in Latin governments during the "lost decades", 1980-2000.

Both the US and the EU have been radically transformed for the worse during the 'lost decade' of the current century. Economically, politically and socially the 'North' has been "Latin Americanized': Social instability, economic stagnation, political alienation, growing class inequalities and poverty is presided over by corrupt political elites.

Signs of the Better Times: Latin America :

Recently the finance minister of Brazil raised the possibility that the BRICs (Brazil , Russia , India and China) might take a hand in a "rescue plan" to prop up the crises ridden economies of Europe . While the statement had greater symbolic rather substantive consequences, it does reflect a certain reality: while the North plunges into deeper, unending crises, the Latin economies are doing reasonably well.

Except for the Latin countries still under US dominance, especially Mexico and most of Central America, the rest of Latin America has not only avoided the crises afflicting the North but have been growing at a healthy rate, three times that of the US over the decade. The new millennium, especially between 2003-2011 (except for a brief interlude in 2009) has been a period of high growth, general prosperity, booming exports, rising imports, greater inter-regional co-operation, and large scale poverty reduction.

Brazil alone has reduced the number of poor by 30 million. Regular elections, relatively honest and competitive, result in stable legitimate transfers of political power. Except for US backed coups in Honduras and intervention in Haiti and Venezuela , violent seizures of power have disappeared, over the past decade. Regional institution – building has prospered with the advent of UNASUR and a Latin American regional bank.

Because of fiscal controls and banking regulations, both results of the lessons learned from the crisis of the lost decades (1980-2000), Latin America was only slightly affected by the US-EU financial crash of 2008-2011. Latin American trade has doubled, especially with Asia, aided by China 's double digit growth. Demand for agro-mineral commodities has tripled. The key to this new export powered growth is Latin America 's growing economic independence. This has led to the diversification of its markets, taking advantage of new opportunities and reducing their dependence on the US . Latin America's emphasis on economic growth, new markets and investments, has led it to avoid entanglements in the proliferating and costly colonial wars which engage the US and EU.

While the US and EU print more money and increase indebtedness to cover trade deficits, Latin America has quadrupled its foreign reserves. These cushion any downturns and avoid any dependence on the IMF, architect of the lost decades of the 1980's and 1990's.

Within Latin America , the issue of poverty reduction has been tackled with varying degrees of effectiveness. With Venezuela under President Chavez leading the way the general direction has been toward increasing social payments, by increments in most cases, but with greater efforts in others. Except for Mexico , nothing resembling the social cuts of the

US-EU has taken place in Latin America . The most striking structural advances have occurred in Venezuela and to a lesser degree in Argentina . They have significantly increased the minimum wage and pensions and increased welfare payments to the most vulnerable (single mothers, the disabled, those in extreme poverty).

With the exception of Colombia (the US 's principle military ally in the region) which is still the murder capital of the world for human rights advocates, trade unionists and peasant activists, human rights violations have declined. While the US-EU have vastly increased their human rights violations geometrically via multiple colonial wars in Iraq, Afghanistan, Libya, Pakistan, Somalia, Yemen and clandestine death squad 'operations', Latin America's overseas human rights violations are largely limited to its occupation forces in Haiti – at the behest of the US and EU. Nevertheless repression of popular movements, especially indigenous peoples and peasant movements and students has increased in Bolivia , Chile , Brazil and elsewhere as the high growth policies on community rights and social expenditures.

Because of Latin America 's current political stability and dynamic growth, institutional and corporate investment is pouring into the region. In contrast the US and EU are suffering from disinvestment and declining rates of private investment. In other words, the development of Latin America is the other side of the coin of the US-EU underdevelopment.

Latin America: New Contradictions

The class struggle is still the motor force in the social progress of Latin America . But unlike EU-US, Latin America's class struggle is directed at increasing social and monitory wages, even if incrementally, as part of an offensive strategy to capture a greater shares of rising income. In the US and EU the class struggle is 'defensive': an effort to stop declining income shares, limit job losses and cuts in pensions.

While militant class action including land occupations, street demonstrations and strikes are still part of the repertory of working class social weapons, they take place within the political parameters of democratic institutions. In Europe the elites have increasingly ignored mass street protests and strikes, largely pursuing austerity policies dictated by non-elected domestic and foreign bankers and creditors.

The limitations and 'contradictions' affecting all Latin America countries are located in the internal class inequalities. As national income has increased and exports boom, the inequalities between the ruling investor class and the mass of wage earners has increased. While initially the problem of class inequality was papered over by the general rise in living standards and employment, over time the employed and productive classes are no longer satisfied with incremental gains which barely surpass inflation rates. The rising standards of living have raised expectations. The percentage of poor may have declined but subsisting just above $4 dollars a day is increasingly unacceptable. Growth brings forth its own set of contradictions and a new set of demands. Formerly excluded classes included in the system, but exploited, have only their class organizations as their weapons to advance their socio-economic interests.

This is clearly the case in contemporary Chile where long term growth is accompanied by deeply entrenched inequalities comparable to the worse in the OECD. Beginning in July 2011 massive student protests over the high cost of public and private education and low levels of social expenditures have detonated mass activity from trade unions covering the gamut of economic sectors from teachers to copper miners.

The new and explosive issue confronting rulers and ruled in most of high growth Latin America is raising incomes for whom? The class issues are front and foremost in the current period and immediate future.

Growth, stability and democratic class struggles characterize most of the major countries, but not all. In several countries, the authoritarian and violent legacy of the dictatorial regimes continues robust. Colombia 's practice of murdering trade unionists, peasant leaders, journalists and human rights activists continues unabated: over 30 trade unionists were murdered during the first 8 months of 2011.

Honduras ' ruling regime, product of a US backed coup and its allies among the paramilitary private armies of landowners, have killed scores of peasants and dozens of pro-democracy political and social activists.

Mexico 's killing fields are notorious: over 40,000 people have been killed by the police, military and drug gangs in a 'war on drugs' promoted by Obama and implemented by President Calderon.

What these three retro-regimes have in common is that they continue to follow the dictates of Washington , remain highly militarized states, with a strong US military and police presence in the form of bases, overseas advisers, and an intrusive role in setting policy. All three have failed to diversify markets and continue with a high degree of dependence on the stagnant US market. All have secured or are in the process of signing bi-lateral free trade agreements at the expense of exploring greater links with the dynamic Asian markets.

The 3 retro-regimes have never experienced the kind of popular rebellions and resultant center-left regimes which have emerged in most of Latin America . In Mexico pro-democracy candidates were twice defrauded of electoral victories, first in 1988 and later in 2006. In Honduras , a progressive liberal democratic President seeking to diversify markets was ousted by a military coup backed by the Obama regime in 2010. In Colombia , the murder of 5,000 activists and leaders of the pro-democracy Patriotic Union between 1984-86, the subsequent assassination of several thousand social activists, blocked a democratic opening. The abrupt termination of peace negotiations in 2002 and the total militarization of the country (2002-2011) funded by $6 billion in US military aid precluded the emergence of the political and social changes, which have dynamized the rest of Latin America's sustained growth and opened the door for 'democratic class struggle'.

While most of Latin America has forged ahead, thus far largely avoiding the instability and economic crises of the US and EU, past legacies and present inequities present a new set of structural impediments to the consolidation of long-term growth and political and social stability. The biggest structural contradiction is found in the high growth/increasing inequalities, socio-economic model based on the "3 ½ alliance": foreign capital-national capital-the developmental state and the co-opted trade union/peasant leaders. The profits and investments of this power configuration has been driven by the growth of agro-mineral exports, rising commodity prices, easy consumer credit and state regulation of financial markets. The economic returns on growth have been disproportionately appropriated by the "big three" with incremental payoffs to a minority of better paid organized workers. The 'residuals' are used to "lift the poor" from abject poverty to subsistence. These growing inequalities have been "papered over" by the general rise of income, easy credit and improved public services. But rising incomes have set in motion a new set of class conflicts which will be exacerbated when the prices of commodities decline and the governments can no longer fund incremental improvements. Even today, severe conflicts have emerged between predator mining and timber, multi nationals and Indian/peasants in Peru , Ecuador , Bolivia , Brazil , Colombia and Chile . These sometimes violent struggles between the state/ MNC and peasants in the "periphery of the countryside" can detonate a larger conflict in the central cities, if export revenues decline.

The second contradiction is between the "marginalized working poor" and a new class of local middle and business class investors who have invested their "savings" in shares of the foreign and locally owned mining companies. Conservative and closely aligned with the rapacious multi-nationals, these new middle class investors have enriched themselves on the bases of unregulated plunder of natural resources and contamination of the adjoining rural communities. If and when commodity prices nose dive, the regimes will face a bankrupt hysterical middle class looking for a political savior where none exist, at least among the existing civilian parties.

The rightward drift of the center-left regimes and their opportune links to big business especially in Brazil , Uruguay , Bolivia , Ecuador and Paraguay has led to corruption in high places. Liberalization and exorbitant executive salaries has been accompanied by "unofficial payoffs" to public officials. Corruptions has eroded the social ethic of center-left politicians and replaced it with the ethos of "bringing in new and bigger investments", whatever shortcuts and payoffs it requires. Corruption at the top spreads downwards greasing the wheels for foreign investors, but certainly lowering the trust and loyalties of employees and formal and informal workers not in the 'magic circle' a bribe takers and givers. "Patronage" and poverty reduction payouts can limit the fallout from corruption in high places among poverty funded recipients. However, in time of economic downturn, it can turn social protests toward political regime change.

The third contradiction is found between the high level of dependency on commodity exports (which heretofore have been the dynamic element of growth) and the relative and absolute decline of manufacturing exports and production. The growth of income from commodities has led to the appreciation of the currency which has lessened the competitiveness of nationally produced manufactured products, leading to a sharp decline in profits and even bankruptcy.

Asian manufacturer-exporters – especially in China and to a lesser extent India and Korea – are increasingly penetrating Latin markets with lower cost finished products "de-industrializing" the Latin economies. In some cases, Latin American capitalists are looking to investing in Asia to lower costs and exporting back to their "home markets". Brazilian industry which has been hardest hit, has initiated "protectionist" measures including tariffs, 65% local content rules and state subsidies to counter the de-diversification of the economy.

The fourth contradiction is found precisely in the successful economic growth and high returns, which has attracted both speculative and "takeover" capital as well as productive

investments. Speculative capital will flee and destabilize the financial system at the first sign of slowdown. Foreign ownership will lessen the government's ability to leverage investment decisions in time of crises. Productive investments respond to expanding markets they do not create them.

In summary, Latin America's decade long dynamic growth has certainly out-performed the US and EU on a whole series of important economic, social and political dimensions. Yet, out of this growth have emerged a new set of contradictions and the need to correct increasingly grave "imbalances": popular demands for a shift in income distribution, industrialists pressure for a rebalancing of the economy from dependence on finance and commodities to manufacturing and the urban poor demand improved social services especially in public health care and crowded classrooms. These changes require a structural adjustment in the power structure. The economic imbalances reflect the growing concentration of political power among the extractive capitalists, bankers and local middle class investors of the major cities. Public employees, labor, the urban poor, the peasants and environmentally concerned Indians and ecologists, are marginalized from the key economic posts. They need to once again take to the streets with new independent movements which raise two basic questions: What kind of growth and growth for whom?

Lessons Latin America : Listen Yankees and Eurocrats

Can the positive lessons of the dynamic Latin American experience provide a 'model' for the US and Europe ? Is the "model", in whole or part, transferable to the North or are the two regions so different that the lessons are not applicable?

Granted there are vast historical, cultural, economic and political differences between the regions yet some lessons from the Latin America's decade of dynamic growth, provides new ideas to counter the negative, self-defeating economic formulas put forth and practiced by US and EU experts, economists and policymakers.

Let us start from the beginning. The rise of Latin America was precipitated by a deep economic crisis, the breakdown of the economy, large scale unemployment and the impoverishment of the middle class. The crises led to the total discrediting of what has been called alternately the "free market", "neo-liberal" and "de-regulated" capitalist model. So far so good: the US and EU likewise are experiencing a prolonged and deepening economic crises which has bankrupted Southern Europe, plunged the US into a double dip recession and led to a 20% un and underemployment rate. The entire "political class" in the US and Europe is largely discredited. From there forward the regions diverge.

In Latin America , the crises led to mass protests, popular uprisings and regime changes. Post neo-liberal center-left regimes, under mass pressure, subsequently launched employment generating investments and aid poverty reducing public works programs. Argentina facing a financial crisis similar to Greece , Portugal and Spain today, defaulted on its foreign debt – channeling public revenues into reviving the economy. Because financial speculation linked to Wall Street and the City of London precipitated the crises, the Latin regimes instituted financial controls and regulations which limited financial volatility. The new regimes, influenced by the commodity boom, diversified their trading partners, entering dynamic Asian markets, reaping high returns and stimulating local consumption and public investments. What lessons can the crises ridden US and EU learn from the Latin America 's successful recovery and expansion?

First, the beginning of a successful response depends on a political transformation. Regime change a complete break with the 'neo-liberal' free market, and the political leaders and parties who are totally embedded in failed institutions and policies. Regime change presupposes the eruption of dynamic mass organizations, new, old, improvised and organized, capably of moving from protest and resistance to political power.

The object is to rebalance the US and EU economies from 'financialization' and "militarism" to large scale, long term investments in manufacturing, applied technology, civilian infrastructure and social services. Direct public investments and loans applied to concrete employment generating projects; total rejection of trickle down, monetary policies which never move from private banks to public works.

The entire militarist- Zionist-permanent war mentality is entirely vulnerable to change: doing so, will create jobs, the top priority for over two-thirds of the US public. The "war on terrorism", the banner of the warlords in office, is considered a priority by only 3% of Americans. Once again the shift from 'militarism' to the civilian economy in Latin America was a result of popular civilian upheavals, via the street and the ballot box.

Of course the Latin American republics had an easier time in rebalancing their economic priorities from failed military rulers and discredited neo-liberal policies. Citizen movements in the US and EU imperial states will have a harder time in closing down hundreds of military bases, ousting militarist politicians backed by powerful domestic and foreign lobbies and converting the empires to productive republics. Yet, Latin American exporters have prospered by avoiding entanglement in overseas imperial wars. They continue to pursue new markets in the Middle East and elsewhere instead of destroying adversaries of Israel as the EU and US have done through colonial wars in Iraq and Libya and sanctions against Iran , Syria and Venezuela .

The contrasting performance between Latin republics and Euro-American empire builders is striking. The US and EU should shed their self-centered images of "successful" developed countries and outdated stereotype of Latin America as a collection of "volatile", coup prone underdeveloped countries. The US is in deep trouble and it is heading into a deeper, less manageable economic crisis with few resources to counter it. Internationally it is increasingly isolated and in conflict with potential economic partners. Washington sides with Israel, alienating over 1.5 billion rich and poor Islamic peoples, from Saudi Arabia to Pakistan and all points east, west and south. It antagonizes Brazil via financial pump priming, overpricing the real (Brazilian currency) without helping US recovery.

Domestic and international failures multiply as the crisis deepens and nothing proposed by the blighted incumbents and besotted opposition offers any programmatic solution.

As in Latin America during the first years of this decade we need a popular rebellion: we need a profound regime change; we need to think of productive public investments not monumental loss of capital via Wall Street speculation and the waste of public resources via expenditures in weapons of destruction.