

# Latin America's New Middle Class Rulers: Stabilization, Growth and Inequality

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## Introduction

Latin America's current relations with the US as well as its present political and economic configuration can best be understood in the context of large scale changes over the past twenty years and the relative stability of the past five years.

We will proceed by schematically highlighting the salient features leading to the rise and crises of neo-liberal regimes and policies and the emergence of diverse "post neo-liberal" regimes in the present period. We will analyze the nature and performance of the 'post neo-liberal regimes' to bring out their strengths and weaknesses in the context of world market conditions, as well as the emerging political and social contradictions and alternatives.

## US Imperial Power and the Rise and Fall of Neoliberal Regimes

US imperial power and influence reached its maximum influence between 1976-1999. The military and civilian regimes throughout this period backed US international and regional positions and embraced "free market doctrines". The neo-liberal rulers denationalized and privatized all strategic economic sectors, deregulated the banking and financial systems and submitted to the dictates of the IMF and World Bank. Nearly one trillion dollars in profits, interest and principle payments, rents and illegal funds were transferred to US and European banks and corporations.

By the end of the 1990's, mass discontent was boiling over into street protests and strikes by public sector trade unions and especially in rural mobilizations. With the onset of the economic crises and financial crash of 2000 major upheavals took place throughout the continent.

## Crises and Social Uprisings 2000 - 2005

Between 2000 - 2005 there were major popular uprisings overthrowing nearly a dozen neo-liberal presidents and several elections which apparently led to center-left political leaders. In Argentina 2001 - 2002, three presidents were ousted by mass movements, as banks closed, middle class savings were frozen, unemployment skyrocketed to nearly 30% and poverty levels exceeded 40%, unprecedented in this country renowned for its wheat and beef . In Ecuador popular uprisings in 2000 and 2005 replaced corrupt neo-liberal presidents and resulted in the election of President Correa, identified with the center-left Citizens Alliance.

In Bolivia worker-peasant-Indian revolts ousted two presidents closely allied with Washington (2003, 2005) leading to the election of center-left parliamentarian, coca farmer and Indian leader Evo Morales in 2005.

In Venezuela President Chavez was briefly overthrown by a US backed military-business junta and restored in 48 hours by a military-popular mass movement in April 2002.

In other contexts, purportedly center-left presidents were elected in Uruguay 2005 and 2010, Paraguay 2008, Chile 2005, Brazil 2002 and 2006.

Having lost its docile clients in the face of the deep crises and with its principle ideological prop (free market neo-liberalism) totally discredited and massively rejected, US dominance was severely eroded but not extinguished.

In Mexico, the US backed PAN party blocked any transition to a new post-neo-liberal transition in 2000, and later stole the election of 2006, perpetuating and deepening Mexico's disintegration into warring armed narco-gangs allied to different state fractions.

The crises and revolts and the ascendancy of the post-neo-liberal regimes, was essentially a historical compromise between the failed and discredited neo-liberal elites of the 1990s and the rising radical social movements of the first years of the new millennium. US imperialism, engaged in two wars in the Middle East and South Asia, embedded in a global war against Islamic militants directed by Zionist policymakers in top positions in Washington, was unable to intervene and reverse the shift toward the "center-left". Throughout the decade 2000 - 2010, Washington's policy was essentially "looking backward" toward the "golden age of pillage", the 1990's, and totally unable to cope with the decisive shifts of power within Latin America, changes in the world market and the demise of its formerly hegemonic 'neo-liberal' ideology.

### **Ascendancy of 'Post-Neo-liberalism'**

Post neo-liberal regimes, to the degree that they conform to any common pattern have the following characteristics.

They are products of popular mass movements which rejected the dominant neo-liberal ideology and elites.

Their rise to power is the result of deep economic and social crises that adversely affected sectors of the business elite, the middle and working class, landless rural workers and peasants/small farmers and alienated the Indian communities.

The post-neo-liberal regimes embraced state directed economic stimulus policies without expropriating foreign or national banks and industries or renationalizing privatized firms, except in a few cases of bankrupt enterprises.

Post-neo-liberalism (PNL) retained the class inequalities of the neo-liberal class system but introduced poverty programs, unemployment payments, subsidies for small business and employment generating investments.

Multi-national corporations were induced to increase royalty payments, some agro-export taxes were increased but there was no effort to redistribute land and income.

Joint ventures, private-public enterprises were the rule, with the major emphasis on links with foreign multi-nationals, especially in mineral and energy sectors.

Institutional politics displaced extra parliamentary movements and the PNL regimes successfully promoted state-business-social movement “corporatist politics” based on “social pacts”, regulating wages but not profits.

The regimes pursued ‘developmentalist strategies’ based on expanding and diversifying export markets, tight monetarist fiscal policies and incrementalist incomes policies.

In summary the post-neo-liberal regimes, introduced regulations, social welfare, crises management policies designed in the first instance to de-radicalize the mass movements, promote economic recovery and secure political and social stability. The anti-neo-liberal rhetoric was directed toward ‘normalizing’ capitalist growth and creating a political – social balance between insurgent labor/peasants who were their original electoral base and private foreign and domestic investors who were their engines of growth.

### **Performance of Post-Neoliberal Regimes: Stability and Growth**

During the past 5 years of post-neo-liberal regimes, there have been neither revolutions nor coups, with the exception of the US backed seizure of power by the military in Honduras. The social movements have been de-radicalized. As a result of incremental wage gains, growing employment and high growth there has been a decline in social mobilizations. The military has been rewarded, chastised for past human rights crimes, pampered and incorporated into the new “developmentalist” growth model and have shown little appetite to revert back to the crisis – ridden US directed neo-liberal model.

Between 2004 – 2008 the post-neo-liberal regimes enjoyed exceptional growth, high commodity prices, large scale capital inflows, the expansion of new Asian markets and reasonable levels of public and private investment. The result is relatively sound fiscal and trade balances, high levels of foreign reserves and access to capital markets (except for Argentina).

The post-neo-liberal regimes have diversified their overseas markets but not their export products, increasing their dependence on energy, mineral and agricultural products but benefiting from high prices.

Contrary to historical experience the world economic crises of 2008 – 2010 did not strike Latin America as hard as the US, in part because of financial controls established after the neo-liberal crash of 2000 – 2001 and because of their diversified economic ties with Asia, namely China which continued to grow at 9% in 2009 and 11% in 2010. The fundamental question remains whether the steady growth and the accompanying relative stability is a result of internal policies and structural adjustments or the result of favorable world market conditions – high commodity prices and strong demand?

“Post-neo-liberal regimes” vary in political composition, social origins and the degree and type of state intervention. What they have in common is (1) their rejection of unregulated capital, particularly speculative investments; (2) a rejection of non-reciprocal free trade agreements such as the FTAA; (3) increased taxes on agro-mineral export sectors; (4) a strong corporatist tendency, namely incorporating movement leaders and organizations into the state apparatus; (5) support for regional organizations excluding the US such as

UNASUR; (6) and diversified trading and investment strategies. Above all the post-neo-liberal regimes have embraced a “developmentalist” ideology and practice, which seeks to maximize investment and growth, at the expense of any redistributive policies or fundamental changes in property ownership. In other words the shift from free market neo-liberalism to post-neo-liberal developmentalism, is largely based on alliances with foreign and domestic agro-mineral and manufacturing elites rather than financial and banking groups.

The new developmentalist regimes, in the main, have their origins in populist and social democratic politicians who gained mass support by adopting a position attacking a variant of capitalism (“neo-liberalism”) and not capitalism per se. The ideological ambiguity of “anti-neoliberalism” allowed the developmentalist leaders to present themselves as part of the popular insurgency and to identify with the uprisings of the 2000 - 2005 period without committing themselves to any specifically anti-capitalist program or specific measures such as a comprehensive agrarian reform or re-nationalization of the strategic economic sectors privatized by the preceding neo-liberal elites.

The exception was Venezuela under President Chavez who did initiate a land reform program and renationalized the oil and several other strategic economic sectors.

The key challenge facing the developmentalist regimes was how to turn their radical political and social support of the movements which brought them to power into a solid base of electoral support for policies which essentially favored large scale long term private foreign and domestic investors.

### **Ideology, Markets, Cooptation**

The post neo-liberal regimes mystified their popular followers with a variety of political formulas, depending on the specificities of their social background and organizational affiliations.

For example, Evo Morales, made a big show of his “Indian identity”, even as he ardently pursued agreements and signed lucrative exploitation contracts with major mining and energy multi-national corporations from India, Europe, Brazil, US, Canada and China amounting to over a hundred corporations. Morales developmentalist strategy, from the beginning, guaranteed the security of the one hundred biggest agro-business corporations which owned over 80% of the most fertile lands, as long as they invested, produced and increased their exports. Morales key propagandist, Vice President Garcia Linera, provided the ideological cover, by manipulating the focus of the mass struggle from a socio-economic transformation to a “cultural and political revolution”. Garcia Linera first dished out rhetoric about the importance of “ethnic identity” over class politics, to cover-up the regimes collaboration with the foreign mining and domestic agro-business oligarchy. The “revolution” was essentially the rise to power of an upwardly mobile mestizo lower middle class, made up of technocrats and co-opted social movement leaders, who promoted private investment and social control.

For the consumption of the foreign “tourist” left, (EU, US, Canada and Latin America) Morales and Garcia Linera, organized an international conference on “Mother Earth” (Pachamama). Upon return they wrote a glowing account of the Morales leadership fighting “earth warming”, totally ignorant of the regime’s huge extractive capital investment pursuits and chemical based agro-business development strategy.

In the case of Brazil, Lula played on his social origins as a child of a poor immigrant family from northeast Brazil, his years as a trade union organizer, his affinity with popular causes and leadership of the Workers Party. His propagandists played down the fact that he had not worked in a factory for twenty years prior to his election. The most relevant consideration in Lula's regime was not his distant past but his current links to big business, agro-mineral capitalists, his promotion of investments for growth and his strict monetarist policies to accommodate the overseas financial elite. His "poverty policies" were typical of conservative patronage politics: food baskets for the poor not land distribution; survival payments to the unemployed not industrial employment. The yearly social spending of the Lula regime for health, education and anti-poverty was less than the \$100 billion dollar transfers of interest payments to overseas banks. Lula's decrees on the restrictions of public employees salaries and the cuts in public pensions ensured budget surpluses and attracted massive foreign capital inflows. Lula's independent foreign policy flowed from his "developmentalist" ideology and not from any "anti-imperialist" sentiments. For Lula growth required cutting loose from restrictive US commercial agreements and signing new trade and investment deals with China, India, Iran, Venezuela, Angola etc.

Argentina, Uruguay, Chile, Ecuador, Paraguay have reinforced the agro-mineral export strategies and opened the door for foreign investors, especially in "productive sectors". Their enemy is not capitalism, it is "speculative capital". The social problem is how to tax the profits to subsidize the poverty programs to sustain electoral support.

The key for social stability is to co-opt the trade union and peasant leaders and pacify their followers with incremental and marginal wage increases in exchange for their support in signing off on big economic investment contracts with multi-nationals. The PNL co-opted the anti-neo-liberal ideology and profited from favorable world market conditions. This has led to relative political stabilization and economic growth over the past 5 years. The question is whether this is a long term or temporary "conjunctural situation"?

### **The Future of Developmental Capitalism in Latin America**

Over the past 5 years the developmentalist regimes, have been able to disguise their collaboration with big capital via rhetorical attacks on neo-liberalism and have gained an electoral clientele on the bases of short term poverty programs.

There are definite signs that the "progressive" identity is beginning to lose its attraction for major sectors of the working class, peasantry and Indian population in the face of the absence of substantive structural changes.

In Bolivia, prolonged strikes by public sector and factory workers over meager 5% salary increases arbitrarily dictated by the Morales regime is one clear indication that the mystique of the "Indian President" who presides over budget surpluses and boasts about new lucrative contracts with foreign extractive corporations is beginning to wear thin..

In Paraguay, over 15,000 peasants have marched in Asuncion against President Lugo in protest over his inaction and impotence with regard to agrarian reform, and his reliance on police and military repression to oust landless peasants from large plantations.

In Brazil, public sector workers demanding salaries beyond the 5% dictated by Lula, especially in light of the \$280 billion dollar reserves and the over \$100 billion dollar interest payments are having their wages deducted.. Lula like Lugo and Morales has launched

virulent verbal assaults on independent class organizations demanding a fair share of the profit. Lugo has militarized the countryside to search for ... “ten guerrillas” Evo Morales and Garcia Linera accuse striking factory workers of being “agents of the US Embassy” and the protesting teachers of being “tools of Trotskyist”. Correa denounces the Indian movement as “delinquents” for opposing the de facto privatization of water rights.

In other words, the first fissures and contradictions in the developmentalist model has evoked a virulent attack from the PNL regimes. One suspects that the regime’s violent response to reformist economic demands is fear that the independent class struggles could escalate in the near future into an openly political challenge to the developmental model.

While the developmentalist model appears solid and world market conditions favorable today, the regimes depend on a fragile balance of power. The PNL require large capital inflows, which require high profits which depend on control over labor costs, budget surpluses and tight monetary policies. Labor unions and the working class, to the extent that they put forward an agenda that demands greater social expenditures and a greater share of profits via strikes and direct action, could weaken the ‘class collaborationist framework of regime stability. Greater state repression could lead to greater alienation and disenchantment among sectors of the working class and Indian and peasant movements, leading to divisions and possible ouster of co-opted trade union confederation leaders and the revival of independent Indian and peasant movements

The key problem in some countries is the fragmentation of movements. For example in Mexico, there were million person meetings led by Lopez Obregon protesting electoral fraud, preceded by a few years by a massive meeting of over 250,000 convoked by the Zapatistas demanding positive pro-Indian legislation, followed by tens of thousands teachers and allies in Oaxaca demanding the ouster of a corrupt governor and more recently the quarter of a million workers led by the Mexican Electrical Workers’ Union marching and protesting the firing of 43,000 of their comrades. Separately each movement was ultimately defeated. United they could have paralyzed the country and possibly won.

One of the unfavorable outcomes of the recent weaknesses of the radical social movements and the discarding of their proposals for structural change, is the growth of powerful narco-gangs based on the recruitment of urban and rural youth. In the face of dispossession of land by big agro-business, the free market food imports bankrupting small farmers and rural to urban migration without industrial employment, narco organizations offer a way out of poverty via “armed direct action”, backed by corrupt state officials with bank-laundering cooperation. From Mexico, through Central America and the Andean states, the armed struggle of drug gangs of many young people for market shares of the cocaine trade has replaced the class struggle for land and jobs.

### **Alternatives to Post-Neo-Liberalism (PNL)**

The first step toward constructing an alternative requires an understanding and a clear break with PNL. The vacuous phrases about “progressive” and “center-left” regimes must be discarded and their identification as capitalist developmentalist regimes, deeply dependent on their agro-mineral elites embedded in world markets is essential.

Secondly in constructing an alternative to PNL, the starting point is not 2000 - 2005, a time of radical popular movements and class based revolts. Nor is the starting point the period



of the 1990's when unrestrained 'neo-liberal' regimes allowed wholesale pillage by unrestrained bankers and multi-national corporations.

Today the class and national struggles take place in a context of middle class developmentalist regime, who use the state to promote growth and utilize social movements and trade unions as mechanisms for policing and limiting popular demands within the parameters fixed by state-capital partnerships.

The key to the current phase is to recreate independent social movements and autonomous class trade unions which can challenge the wage-salary constraints which the developmentalist regimes impose to attract foreign investors and private lenders.

The leaders of the left must recognize that the developmentalist regimes are rich in foreign reserves, have budget surpluses and that their development strategies are producing reasonable growth. In other words the left must recognize that Latin American capitalism as a whole is not in crises, that the regime and the capitalists must pay for substantial raises in wages and social expenditures. The financial resources, economic revenues of the state, and private profits of the agro-mineral, banking and big manufacturing and commercial elites can increase annual salaries and social payments by between 10% to 20%.

The workers and peasants are increasingly recognizing that they are not the beneficiaries of the economic successes, growth and stability, celebrated by the leaders of the developmental regimes. The left must encourage, organize and capitalize on the masses' rising expectations for higher living standards in the face of record high commodity prices. In recent years, too often, the left has fallen prey to the 'theater' of a self-described "new left" and its "anti-neo-liberal" rhetoric, even as it increases the presence of multi-national capital (MNC). The new "state-MNC" partnerships exclude the working class from the profits and revenue which, instead, are distributed between new rising middle professional and technocratic classes and foreign investors.

The new rising middle class used its past leftist and social connections to the mass movements to rise to power; it consolidates power via its control over the state and subsidies to movement leaders. To legitimate its rule the new middle class regimes organize leftist, ecology and ethnic conferences and meetings. The new middle class rulers enrich themselves via an increase in the share of revenues from agro-mineral capital via joint ventures, increased taxes and profit-sharing. The developmental state concentrates the 'new wealth' in the narrow confines of the top and middle level state bureaucrats who are in effect the new bourgeoisie. The bourgeois essence of this developmental regime is found in the profound and growing inequalities of property and income, the lopsided transfers of state income to bank creditors, subsidies and credit to agro-mineral exporters, while social transfers to the poor remain miniscule and minimum wages are paltry.

The struggle today is against capitalist exploiters not "speculators"; against post-neo-liberal developmentalist who control the state for their own benefit not free market neo-liberals working for real estate and financial swindlers.

The strategic weakness of the new middle class rulers of the developmental state is that they do not directly own property - their power is derived from political control over the state and masses. That means that the economic struggle for wages and social expenditures immediately becomes a political threat to the legitimacy of the new rulers. As a result any working class or peasant demands provokes a disproportionately virulent

attack, slandering the popular struggles for economic gains with bizarre charges of being “counter-revolutionary”.

Given the opportunist support of the North American and European Left “tourist” for these developmentalist regimes (even as they repress strikes and denounce the struggles of workers, peasants and Indians for economic improvements), the consequential left must take a stand either in solidarity with the economic struggles of the emerging new autonomous trade unions and class -ethnic based social movements. The revival of popular revolutionary movements begins by rejecting complicity with the new middle class rulers presiding over the new phase of state-private capitalist expansion.

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