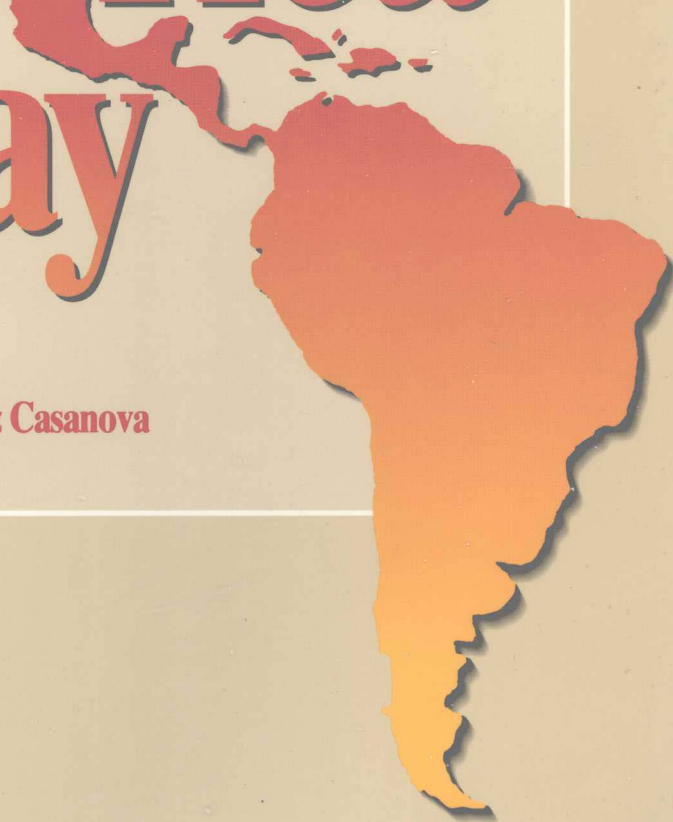


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Edited by Pablo González Casanova



Latin America today

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Introduction

Pablo González Casanova

At the end of 1982, an investigation into Latin America's outlook for the future was begun, sponsored by the United Nations University and the Institute for Social Research of the Universidad Nacional Autónoma de México (UNAM). This research was part of a larger project dedicated to the study of Africa, the Middle East, Asia, and Latin America. Dr. Kinhide Mushakoji, Vice-Rector at the United Nations University and director of the overall project, from the very beginning endowed the project with what might be called "a new epistemological style." Rather than fixing it within a previously established theoretical framework, or tying it to a previously formulated problem, Mushakoji began by encouraging questioning and prioritization, conjecture and hypothesis, which in turn determined the actual form in which the work was approached.

For the study on the prospects for Latin America (PAL), a consultant board was established that included several specialists in the social sciences: Daniel Camacho, Theotonio Dos Santos, Carlos Tello, Agustín Silva Michelena, Jorge Graciarena, Enzo Faletto Verné, Lorenzo Meyer, Gérard Pierre-Charles, and Hugo Zemelman. This board was the first of a series of work groups that collectively, but with different types of individual contributions, carried out a series of seminars, round-table discussions, and workshops on subjects that had until then received relatively little attention, subjects such as social movements, especially popular ones; theories and practices of the state; emergent democratic phenomena running through Latin America and the Caribbean with many variants and innovations; the systems and political parties of the 20 Latin American nations; political

culture and power; political conflicts and institutional change, with their limits and possibilities at the domestic as well as the international level in different circumstances and conjunctures. In addition, several in-depth studies were made of the crisis and its impact on civil society and state, as well as a series of complementary bibliographical and statistical studies. Many of these works took the nation as their unit of analysis; others the whole of Latin America. Of course, studies were also undertaken on smaller units – provinces, towns, groups. The editorial plan for these works envisages several volumes, many of which have already been published.

The decentralized and autonomous nature of PAL, the geographic diversity of its components, which were spread all over Latin America, as well as the theoretical and academic pluralism of the research teams, all played an important part in the novelty of the empirical and theoretical contributions of both narrowly focused studies and synthesizing studies – national, regional, international.

PAL was to become one of the greatest social science research projects of our time. That is thanks not only to the United Nations University's support and its respect for freedom of research and academic freedom, but also to the support of the UNAM, and many other national, state, and provincial universities, as well as to direct contributions and support from three important social science organizations: CLACSO (Latin American Council of Social Sciences), FLACSO (Latin American School of Social Sciences), and ALAS (Latin American Association of Sociology). With their help, PAL was able to organize one or more research teams in each Latin American country, and in the larger regional networks, in the Caribbean, Mexico–Central America, and South America. In Mexico and Brazil, PAL planned for a research team for each province, but this could not be done in Brazil because of a lack of economic resources. In the end research teams were organized in the 32 federative entities of Mexico. This was so successful that we hope to implement the same system in the future, not only in Brazil and Latin America but also in other areas so as to encourage study of provinces and federative entities in the present world.

In terms of methodology, our point of departure was the decision that it was preferable to lose comparability and gain creativity. The teams were given considerable theoretical and empirical freedom in their research. To that end, detailed research designs were rejected in favour of manuals that were enhanced during the seminars and work groups. These seminars sharpened and sometimes even determined

the theoretical framework, its main hypotheses, concepts, and variables. Generalization and explanation were controlled by varying the works' level of abstraction, and by systematically comparing case-studies and synthesizing studies.

The establishment of a network of seminars and groups in each area of study that brought together different sides or dimensions of the same issues permitted us to accumulate a file of works. Consulting and integrating these works not only helps us to link analyses and facts that were disconnected before, but allows us to study the sociology of knowledge in the social sciences.

A total of 1,028 studies embracing historical, political, and social analysis has accumulated on each country and its history, from the end of World War II, and from the crisis of the 1970s to the present day. There are more than 300 studies on social movements, 169 on emergent democratic phenomena, 43 on the theory of the state and political parties, 43 on the present crisis, 34 on political culture and power, 32 on current conflicts and struggles, etc.

In the realm of facts, numerous signs indicate a new social, political, and cultural structure. Among them we might draw attention to:

- (1) a phenomenon we have called "emergent democracy," in which political struggle and struggle for power or social struggle are combined with the struggle for a new everyday democratic culture,
- (2) the appearance and development of new influences and trends, supporting pluralistic and dialogical thought that is neither doctrinaire nor typological,
- (3) new civil structures and what could be called informal politics, which modify the old categories of "formal country–real country" and "political country–real country,"
- (4) new social and popular movements that are not linked to existing party politics,
- (5) the rise of new power structures or coalitions,
- (6) the rise of new forms of social and diplomatic negotiation,
- (7) a restructuring of the domestic and the international in the whole of the state, civil society, and culture,
- (8) a new significance for world peace of social revolution and social reforms that compel us to reconsider the diplomatic and political problems that would make the presence of the United Nations effective, through a reinforcement of the principles of non-intervention and self-determination of nations not only in the field of law, but also in those of economics, technology, society,

culture, education, and politics, as the only agenda that might ensure peace and world survival.

The strong ideological and programmatic nature of these issues poses a question that is central to the social sciences. It constitutes what Myrdal would call the present dilemma of the world's nations: how to reconcile the values of the Modern Age with the mass democratic project at the centre of Latin America's struggle.

The authors of the papers in this volume coordinated seminars in their fields of specialization. They later met to put this volume together: it is therefore the result of a collective effort. The last chapter on Latin American conflicts is a product of close collaboration between specialists on their respective countries, especially Agustín Cueva, Jorge Cardena Roa, Pablo Mariñez, Jorge Lara, Rafael Vergara, and Beatriz Stolovicz. We thank them, as well as María Beatriz Reina, technical secretary of PAL, Elke Köppen, who organized the system of documentation and archives of PAL, George Aseniero, and many others whose perseverance and enthusiasm contributed to bringing this work to fruition. We are greatly indebted to Dr Kinhide Mushakoji, whose greatest contribution was knowing how to encourage the first study on the third world undertaken by third world researchers.

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Economy and crisis

Pedro Vusković

I. The signs of the crisis

1. Recent evolution of Latin American economies

It is now generally acknowledged that the economic crisis affecting Latin America, which became evident at the beginning of the 1980s, is the most serious the region has had to face since the 1930s, and according to some analysts the effects of the current economic crisis might surpass those of the earlier one. This would put Latin American nations on the verge of a momentous historical transition and face them with the necessity of implementing transformations that presuppose fundamental changes, as much in the patterns of their internal development as in their economic relations with the external world. Even if the most visible manifestations of this process can be identified in its economic scope, its essential nature is being projected onto a larger body of social and political phenomena.

Information about the depth of the crisis, as well as on its extent and duration, confirms these suppositions. In fact, for the region as a whole, the years since the beginning of the 1980s have been ones of unmitigated adversity. The resulting decline has affected all

The central theses expounded in this synthesis are developed further by the author in his paper "Latin America in front of the challenges of the crisis: report on the crisis"; also prepared for the United Nations University and finished in February 1988. In that paper, a greater effort at identifying national peculiarities within the world framework of the crisis will also be found, which is referred to here more generally in so far as Latin America is concerned. It is also important to point out that the majority of the analysis does not apply to socialist Cuba and, to a great extent, it does not apply to Nicaragua either.

Latin American countries, with the exception of Cuba, with varying intensity.

According to the latest available estimates, the domestic gross national product per capita in the region as a whole registered a continual decline in 1981, 1982, and 1983. It showed a modest recovery during the three following years, with an almost imperceptible increase in 1987. Its cumulative variation over the years 1980–1987 worked out negative for almost all countries, with the exception, once again, of Cuba, which showed a substantial increase, and of Brazil, Colombia, and Panama, which showed small increases. For some countries, the 1980–1987 period represented a regression to levels of 10 or 15 years earlier.

Other indicators, such as those related to consumption, investment, or foreign trade, portray the same general picture of adverse circumstances. In addition, they characterize a Latin American situation that is less favourable than that of other large areas of the underdeveloped world.

Negative production trends were manifested also in financial disequilibrium, and particularly in inflationary pressures. The latter grew in intensity from 1981, and reached a climax in 1985: weighting national indices for the corresponding population, the regional consumer price index was then 275 per cent. In 1986, influenced by anti-inflationary policies, it dropped to less than 65 per cent, but in 1987, in spite of these policies, it acquired a renewed intensity and rose to 187 per cent.

Inflation and the recessionary effects of the policies used in an attempt to check it helped in turn to accentuate the regressive distribution of income. Of the 11 countries for which information on the evolution of the urban real minimum wage is available, 6 show 1987 levels to be lower than those recorded in 1980. The loss of real income for this group of workers was at this time close to 40 per cent in Mexico, Peru, and Ecuador, and in the order of 30 per cent in Chile and Brazil.

To decreases in real wages were added losses of employment opportunities relative to the size of the economically active population. Data from the Economic Commission for Latin America (ECLA) for 15 countries, and relating only to urban unemployment, reveal rates of unemployment that are conspicuously higher than those of 1980, and, in nine countries, indices of urban open unemployment higher than 10 per cent.

These trends in both income and employment, whose conse-

quences were felt with relatively greater intensity among the working classes, eventually affected the basic standard of living of the general population quite severely, particularly if one takes into account the effects of public spending reductions in the social services. Various indices relating to nutrition, the incidence and causes of morbidity and mortality, and access to schooling also reflected dangerous retrogressive tendencies.

In another manifestation of the crisis, impoverishment and the lack of productive job opportunities led to alarming levels of delinquency and corruption.

The obvious impossibility – until now – of checking these trends, of halting the crisis and opening the way to new strategies of development, also compromises the outlook for any kind of political evolution. In general, no coherent economic plan has been proposed and maintained that might be able to sustain hopes of recovery and strengthen the social goal of democratic coexistence. On the contrary, attempted moves in this direction will soon have to recognize their vulnerability in the face of such a profound economic crisis.

2. Outward characteristics of the region's economic relations

Strictly speaking, some of the most obvious expressions of the economic crisis in Latin America first appeared in the region's trade and financial relations.

A drastic change in the international economic climate occurred within a short space of time. The 1970s were characterized, in fact, by a significant dynamism in world trade and an exceptional flow of foreign loans to Latin America. At the beginning of the 1980s, economic recession in large capitalist countries considerably weakened the demand for Latin American export products, which seriously affected export prices. The rapid growth of the external debt and the sudden increase in interest rates led to the "debt crisis," which was typified by unsustainable debt service payments in relation to their current income. This put pressure on the indebted countries to cut imports drastically.

After marked fluctuations and in spite of a considerable recovery in 1987, the dollar value of regional exports of goods still remained lower than that recorded for 1981. At the same time, payments of capital gains and interest more than doubled between 1980 and 1982. The positive contribution of net capital movements fell abruptly during 1982 and showed very slight growth during the next few years. A

sharp contraction of imports was enforced with consequences for economic activity levels: from a value close to \$100,000 million in 1981, imports fell to less than \$80,000 million in 1982 and to less than \$60,000 million during each of the following years, barely recovering to \$65,500 million in 1987.

The imbalance between the external debt services and current export income became so great that successive negotiations were necessary to delay payments. Nevertheless, and in spite of a severe reduction in imports, the absolute amount of the debt kept increasing: it went from \$288,000 million in 1981 to \$410,000 million towards the end of 1987.

The eloquence of the figures suggests that "external" factors have played a determining role in the suddenness of the Latin American crisis. But it would be wrong to conclude from this a strict correspondence between the evolution of Latin America's economy and the world economy. Developed capitalist countries recorded relatively high rates of economic growth until the end of the 1970s. Their dynamism weakened in 1979, and 1980 marked the beginning of a severe recession that lasted until 1982. The parallelism stops in 1983: then the developed world's gross product increased by 2.6 per cent and that of North America in particular grew by 3.6 per cent. The phenomenon was more marked in 1984 when US GNP rose 6.4 per cent and that of all capitalist developed countries rose 4.7 per cent. During the next few years they maintained variable patterns, but they were all positive.

One might observe that Latin America has a record of crisis situations that are much more intense and prolonged than the recessionary phenomenon exhibited by the capitalist developed economies. At the same time, the recent economic deterioration of the region is relatively more intense than that experienced by other third world countries. The recovery and expansion of the capitalist developed economies are not inducing comparable processes of recovery in Latin American economies. On the contrary, they seem to explain part of the sluggishness of the latter's progress. In any case, recognizing that external factors played a decisive role in triggering Latin America's economic crisis is not sufficient to explain the nature of this crisis; it is necessary also to recognize its domestic origins. These may be more remote and less visible, but they are no less significant. In addition, one must not fail to note that the factors that appear as "external" not only respond to "exogenous" causes, but are also in part the result of factors of a predominantly domestic nature.

3. Internal processes in the Latin American crisis

As a part of the evolution that could be considered to be domestic, and from the perspective of a larger time-frame, some trends that continually threaten Latin American development can be readily observed. These trends show themselves either by threatening the continuity of global economic growth, or by increasing basic disequilibriums in the workings of the economic system, or by sharpening the social and political tensions they provoke.

Although national experiences vary significantly, Latin American development in general reveals a series of characteristic features. Among them, it is possible to identify a pattern of unstable growth within a long-term tendency to stagnation. Almost all the economies of the region have experienced, at various times, phases of considerable dynamism during which their income levels rose notably, their productive structures diversified to some degree, and they enjoyed a period of modernization and urbanization. But at the same time these economies had to face increasing problems in sustaining this economic growth as they neared the limits of, among other things, the absolute magnitude of respective national economies.

The pattern that this growth assumes has also shown exceptional characteristics. Rather than the productive units already in existence being modernized and provided with the latest technology, new units have been superimposed on the existing ones, making them relatively weaker. The "structured heterogeneity" of Latin American economies took shape and became progressively emphasized in this way. This process produces inequality and differentiation of productivity between productive sectors and strata, which became an obstacle on the road to higher levels of development.

It is necessary to mention also the inability to resolve basic problems of living standards for large sectors of national populations, even during phases of relatively rapid growth.

Income distribution, which is extremely concentrated for the benefit of a privileged few, and its counterpart, the scanty participation of the poorer social sector, have shown remarkable stability. Processes of urbanization and industrialization did not automatically result in a somewhat fairer distribution of the fruits of increased growth. Policies of redistribution, through which an attempt was made to compensate for the absence of this spontaneous improvement, had only limited and short-term effects. In turn, this abnormal income distribution had an effect upon the formation of the productive structure

that grew out of it. This productive structure favours the demands of those with a higher share of purchasing power. This eventually generated a sort of "dynamic of inequality" which is generally typical of all Latin American development experiences, and to whose social limits can be added corresponding economic limits. It is probably now, in this phase of its historical evolution, that these limits are being approached, particularly if one takes into account the fact that the crisis itself and the policies intended to end it have done nothing but accentuate these inequalities even more. In fact, the working masses of the Latin American nations are absorbing nearly all the costs of the crisis, in part because the loss of employment and the reduction in real wages have been much more acute recently than the fall in the gross national product or the increasing "transfers" of income abroad.

Yet another common feature is the insufficient domestic integration of Latin American national economic systems, which prolongs and reinforces external dependence and the inability to generate dynamic autonomous growth. Essentially, we are dealing with an industrializing scheme that was only weakly geared towards the production of capital goods (with the partial but significant exception of Brazil) and that was oriented more towards exportation, when feasible, and towards the various consumption demands of the social groups that benefited from income concentration. To be sure, there are also important differences of degree among the various economies of the region, influenced as they are by individual mean levels of development and differing absolute sizes. But essentially this phenomenon is present throughout Latin America. In any case, one of its consequences is to subordinate domestic growth to the fluctuations of import capacity, as can be seen time and again within the framework of the present crisis. Seen in this light, the crisis in Latin America ultimately assumes the character of a culmination of complex external or domestic factors, of either short- or long-term gestation.

The very longevity of the crisis reveals another dimension. Antecedents of various origins suggest that it had been latent for several years and that this explains policies that tried to hold it off, by at least temporarily prolonging the existing developmental patterns. It could even be said that, towards the end of the 1950s, in some cases, and during the 1970s in others, the limitations of this mode of development were already visible, and that it was this basic insight that motivated various projects searching for other courses of development (the Cuban Revolution, and, later, the attempts in several countries

to take “non-capitalist routes,” with their most eloquent expression in the process of Popular Unity in Chile). Later, in the mid-1970s, the extraordinary dynamism of world trade and the unprecedented levels of foreign loans once again postponed the reality of the crisis. But when these external factors reversed their course at the beginning of the 1980s, the crisis exploded with the full force of this historical significance.

II. Interpretation of the crisis

1. Different approaches

Notwithstanding the absolute certainty of the crisis, its intensity, and its duration, it has provoked and still provokes a variety of interpretations of its essential nature and, consequently, of the policies necessary to confront it effectively. Explicitly or implicitly, the crisis has initiated an unresolved controversy in which various points of view, tendencies, or “bodies of thought” can be identified.

The angles of main interest differ particularly when an analysis of the crisis is planned, in part as a result of the position from which these analyses are undertaken – from the point of view of developed or underdeveloped economies, from the point of view of managers or of workers, etc. Theoretical or ideological backgrounds have an influence too, depending on whether they use Marxist or non-Marxist categories of analysis, for example. All this leads to very different appraisals of the historical significance of the crisis, its chronology, the relative influence of external and internal factors, and the possibility and content of a characteristically Latin American response.

Some basic differences arise from conflicting perceptions of the contemporary crisis: whether it should be understood as a world phenomenon of universal magnitude, or one that comprises at least the whole of the capitalist system and that happens to be *projected* on to Latin America, or, on the other hand, to what extent it should be necessary to identify some “Latin American particularities” or a “Latin American crisis” that has to be understood in terms of the particular features of its own pattern of development. Furthermore, this would not preclude very important differences within one or the other of these criteria. It is therefore clear that it is not easy to propose a synthetic classification of the crisis or its observers, and that any attempt at global characterizations has inevitably to accept a significant degree of arbitrary simplification.

Now that the danger has been acknowledged, there follows a

selection of the approaches, both personal and institutional, that are considered representative of the various currents of thought. This offers an extensive panorama of the points of view, and the controversies motivated by them. For each perspective, an effort is made to summarize very briefly its most characteristic elements.

2. Prebisch and the ECLA

In some of his most recent work (1985, 1986), Raúl Prebisch locates the peak of the crisis as a contemporary phenomenon, affecting the whole world economy. For him, we are dealing with a “planetary” crisis: a crisis of capitalism as an expression not only of incidental factors but also of fundamental problems, and also a crisis of “concrete socialism.” In the first case, the root of the crisis can be found in the discrepancy between the pattern of accumulation and the pattern of spending. In the second case, it is principally a crisis of productivity.

In a specific reference to developed capitalism, he rejects the idea that capitalism has lost the “capacity of expansion” it exhibited during the previous phase of great capital accumulation, and he even suggests that the crisis could be a “consequence of capitalism’s vigour, of its increased technological innovations, and of its proven ability to improve the material well-being of great numbers of people.” We would then be dealing with new and complex phenomena derived from technical evolution and the contradiction this creates and its consequences for the structure of society and for relations between “the centre and the periphery.” For the same reason, “we cannot understand this crisis in the Latin American environment by taking it out of the global context of the system.”

The Economic Commission for Latin America’s analyses of these questions are generally based on the recognition that Latin America finds itself faced with a particularly serious type of crisis, but the ECLA’s reports do not always agree about the essential nature of this phenomenon. Some of the reports arrive at the conclusion that the crisis is much more than just a recessionary phase in a relatively normal cycle in the evolution of the prevailing development model. Rather, the crisis seems to be a manifestation of the model’s exhaustion. The reports identify the origins of the crisis in internal and external factors as well as conjunctural ones, to which they nevertheless attribute different degrees of relevance. In fact, the criteria concerning the relevance of some key factors are not very clear in the majority of the texts. There are also some papers that display an obvious

bias in favour of external circumstances: “the influence of external factors has been decisive . . .”; “the external factors appear clearly in most of the countries, defining the nature and the scope of the crisis . . .” (ECLA, August 1985).

Maybe this very difference of interpretation in the institutional reports explains why, when attempts are made to extend analysis to a plan of action, ECLA’s position would seem to involve the view that in Latin America’s present situation it is necessary to face two types of phenomenon: a set of structural problems and breakdowns that have compromised development’s continuity, and the crisis itself, which seems to be essentially identified by deteriorating external financial equilibrium and in large measure determined by external factors.

Putting it another way, there is a double challenge: the crisis as an immediate problem and the unresolved task of “correcting” structural breakdowns that had begun to develop previously. This means that two successive economic policy programmes would be required, the first to find a solution to the crisis and the second to initiate the task of structural transformation. The crisis would have accentuated these structural failures, and its resolution would in turn constitute a challenge to redefine development policies in the broader sense of the term.

It is within the framework of this vision that the ECLA evaluates the results of “adjustment policies” and the economic and social costs they involve. At the same time, it anticipates the necessity of opening the way for a new phase of reactivation with the prospect of generating new dynamics of growth. And it is also in this context that it identifies the overwhelming weight of the external debt as one of the greatest obstacles to economic reactivation.

3. The International Monetary Fund

The International Monetary Fund symbolizes what in general could be considered as the neo-liberal interpretation of the crisis. From this point of view, the crisis as it manifests itself in Latin America would appear to be the expression of two groups of problems.

In the first place, it is a question of the consequences for regional economies of the recession suffered by developed countries, which reduced their demand for Latin American products and provoked a severe collapse in the international prices of primary products, while at the same time shrinking the flow of loans and the level of direct