

The Latin American State Crisis and Reform

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The central role of the state, its intervention and the process of its becoming autonomous with regard to the economy and society have been given historically in Latin America. This intervention was manifest in the crises and reforms of the state after the processes leading up to independence and the forging of a nation; later, in the transition between the late nineteenth century and the first decades of the twentieth; and from 1930-1945 until today, first in the form of protectionist, welfare-state interventionism and later in the form of neoliberal interventionism.

AN INTERVENTIONIST-PROTECTIONIST- WELFARE STATE

Interventionism in the last half century has been a response to the need for Latin American countries to become part of a changing international order and to the conflicts, crises and domestic repercussions derived from that. The national order is restructured as a function of the conditions imposed by the concentration of power on a world scale. Centers of power, interests and decision making outside the region exercise great influence on the internal sphere and on the Latin American states' development strategies and policies.

State interventionism has also increased in response to the challenges and readjustments that

spring from economic growth: agrarian restructuring; industrialization based on import substitution and hyper-urbanization; the changes in social stratification and mobilizations; ideological and political conflicts; and the cycles of authoritarianism and democracy.

State interventionism is closely related to import-substitution industrialization (ISI), a form of industrialization without an industrial revolution. Faced with the absence of an autonomous domestic process of saving and technological development, ISI is financed by earnings from exports, debt and private investments. It makes comparative advantages of the abundance of cheap labor, fuel, food and raw materials, and state protectionism.

ISI-based growth does not imply integral development: it is insufficient with regard to population growth, unequal in the distribution of its results, and stagnation and regression are permanent threats. The resulting multiplication of social tensions and conflicts permanently poses the dilemma of growth backed by authoritarian or democratic regimens. The constellation of old and new needs, demands and conflicts cannot be resolved satisfactorily enough by competing private businesses or by a supposedly free market.

As a result, the state augments and diversifies its functions in the organization of the economy, society and in the political actions linked to both: repression, social and political control, arbitration and conflict resolution among classes and groups, and the preservation of governability; culture, edu-

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cation, science and technology. With this, the state reinforces its own autonomy and its role as regulator and mediator of international relations. It brings its institutionalization, legitimation and legal system up to date and readjusts its constitutional and legal regimen to include changes and make it possible for the new functions and forms of operating to coexist with the traditional government and administrative apparatus.

With this diversification of functions, the preservation of national sovereignty can enter into contradiction with an opening to the exterior, in the same way that the intervention of the state and the public sector contradicts freedom of initiative and competition in a semi-regulated market.

NEOLIBERAL INTERVENTIONISM

In the 1960s and 1970s, Latin American state interventionism began to show deficiencies and limits which, after both external and internal pressures, led to the emergence of the apparent paradox of a neoliberal interventionism or statism.

The crisis of the state has historical-structural roots and is directly linked to the sharp economic and social fluctuations that came out of a subordinate insertion into the world order, accompanied by a process of transnationalization, the link up of international and national crises and the wearing out of the inward-looking ISI development model.

From the 1980s on, plans for reform made a priority of stabilization according to certain macroeconomic indicators and guaranteeing the payment and renegotiation of the foreign debt. To this were added the attempts to overcome the crisis, renew growth and insert Latin American countries in the available niches of a new world division of labor.

The state's declining ability to exercise its policies honestly, legally, efficiently and effectively had negative results, weakened its authority and legitimacy and caused it to lose consensus.

Policies and plans for reform were proposed and promoted by developed countries' governments and multinational companies, international financial institutions and domestic forces and institutions, each according to individual interests and diagnostic analyses.

An attempt was made to replace ISI with strong state protectionism, export-oriented industrialization and the attraction of foreign investments, with widespread trade and financial openings. The outcome was an increasingly transnationalized economy restructured by the new world division of labor.

The reform of the state was put under the heading of economic liberalization; the social and political were subordinated to the economic and financial.

The effect was not an integral reform, but a series of partial reforms, inspired in the criteria fixed by the dominant forces and institutions in the world order, which place governability high on their reform agenda, and with that, the concern for ensuring a legal framework that would foster a stable environment to allow for the efficient use of resources, productive investment and the economic actors being able to carry out their transactions without arbitrary political interference.

The establishment of criteria for the intervention of the state and its legal system neither prevents nor resolves socio-political problems, but rather sharpens them and brings out new ones.

In an apparent paradox, neoliberal reforms have been designed through strong state interventionism and authoritarian practices. This has been thrown into particularly sharp relief in the procedures and styles of privatization: protectionism for large companies and authoritarian, repressive methods in dealing with and solving dilemmas and conflicts of all kinds.

Thus, state interventionism not only endures, but is reinforced given the high economic and social cost that large social groups and the nations themselves have had to pay. Liberalization did not

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states designed
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bring the hoped-for benefits, but did bring grave tensions and conflicts.

An interventionist semi-welfare state is making the transition toward a developmentalist-gendarme state, partially displaced by the market in terms of its regulatory and dynamizing functions.

COERCION AND LIMITS

The External Coordinates

Externally, states, multinational corporations, financial speculators and international institutions are decision-making centers for trade operations, terms of exchange, capital flows, monetary reserves, technology, import capacity, indebtedness and the control of vital resources.

The conflicts over and competition for markets, resources, profits and political and military power as well as diverging interests and economic policies frustrate negotiations aimed at achieving a world order based on full economic liberalism. At the same time, they maintain or reinforce protectionist tendencies and the formation of rival economic blocs.

The contradiction between population growth and the chronic development crisis in the Third World and the former Second World is heightened by outward-looking development policies and their effects of deformed specialization, neo-colonial subordination, de-capitalization and marginalization.

Transnationalization imposes a gigantic new reshuffling of the cards in the world pyramid. It produces a triple dis-association: between the primary and the industrial economies; between both of these and employment; and between the real and the symbolic economies.

A country's comparative advantages are increasingly based on its ability to use information and less and less on the abundance and low cost of raw materials, food, fuel and labor. The industrial economy separates production from employ-

ment, creating a worldwide trend toward structural unemployment.

The new world financial market, technologically unified by an electronically integrated network, ignores borders and increasingly dominates economic actors and forces, societies and national policies. This poses the problem of governability for states; it limits or detracts from their decisions and actions, particularly the formulation and implementation of truly national economic policies.

Globalization both concentrates and marginalizes, benefitting only certain sectors, groups, countries and regions to the detriment of the vast majority, making this majority superfluous or redundant.

The growth of world trade is slowing in relation to the growth of world production. The economies of the advanced countries and their productive-trade blocks concentrate much of their trade and investments within their own confines, at the same time that they intensify competition and increase protectionism vis-à-vis Latin America.

The nation-state and its sovereignty is suffering two forms of erosion: from without, due to the action of transnational forces and processes, and from within, as a result of economic decomposition, social disintegration, political destabilization and the segmentation of societies and national states on regional and local levels.

The Internal Coordinates

Internally, the state is promoting growth and modernization, the accumulation of capital and the profitability of large companies from the standpoint of their own vision and interests. The state frequently imposes limits on and coerces companies. They, in turn, conditionally and temporarily accept this because they would not accept a state that tried to foster growth and modernization based on a social change that would mean a transformation of production and the redistribution of output, promoting participation and democracy. The state's failures are used as arguments to demand less intervention and even privatization.

The new world financial market, unified electronically, takes no notice of borders and increasingly dominates economic actors and forces, societies and national policies.

Self-generated centralization and broadening out of state powers, the maintenance of privileged minorities and the marginalization and depolitization of the majority of the population increase conflicts of all kinds.

Thus, the state and public elites do not dominate the social and political game they are playing; they must submit to many of these conditions and compensate and regulate more important imbalances and conflicts *a posteriori*.

Above all, on the economic plane, "savage capitalism" creates favorable conditions for the rule of economic success at any price. For this reason, non-productive activities, intermediation and speculation abound, taking advantage of the opportunities created by crises, inflation and corruption. Similarly, the informal economy, organized crime and the criminal economy grow and develop. Domestic growth and international integration take the form above all of technical-economic and socio-cultural enclaves. Money, wealth, markets and mercantilism are insufficient and inappropriate models for social organization and cohesion, for reproduction and growth, for civilized coexistence and human and social solidarity.

The disintegration of society is seen in the enfeeblement, the crumbling, the beginning of the destruction of groups and the very fiber of society. The victims are defined not only by social class, but also by sex and age, and by ethnic group and region. A sub- or non-class of pariahs is being constituted with the fragments and waste from the disintegration of the middle and lower classes.

Economic decomposition and social disintegration impede the appropriate use of the potential of many groups and their relationships, structures and interactions. The productive chains deteriorate or are destroyed, and the social division of labor's complexity, outer limits and potential are reduced.

Extreme individualism in the quest for survival at any cost is the reaction to uncertainty and insecurity. Withdrawal into privacy is also prompted by the mass media and the entertainment industry. Adaptation to what exists and cannot be changed leads to a renunciation of social and political participation in institutions, movements and parties.

Protection is sought in patronage, clientelist and corporatist systems of relations.

Social mobilization and turbulence and the demand for broader participation are answered with restrictions and repression. The state, public elites, institutional orders, neo-oligarchical groups and most parties favor the decline of the participation of middle and lower sectors of society in politics and their marginalization and de-politization.

Classes and groups, organizations and institutions lack cohesion, consciousness and a unified will, effective representation, the aptitude for formulating and imposing their own interests and projects and building broad coalitions.

Self-generated centralization and broadening out of state powers, the maintenance of privileged minorities and the marginalization and de-politization of the majority of the population increase contradictions and conflicts of all kinds, actually backfire and have a negative impact on the state.

Unrepresentative states and governments—without the support of civil society's intricate network of productive, innovative forces because civil society does not exist—are pressured and controlled by conservative or regressive public-private minorities.

In these conditions, state intervention is improvised, inorganic and contradictory, subject to the pressures of the political moment and emergencies, feeding its own irrationality and chaos. Policies oscillate between a statizing national populism and a neocolonialist-privatizing elitism, or combine both of these to differing degrees. Much remains subject to the dynamic of the market and dominant private interests on the one hand, and the judgement of government apparatuses and elites on the other. The coexistence of the public and private sectors is difficult and tends to strengthen the latter to the detriment of state autonomy and effectiveness.

The merely interventionist, planning or dirigist state is continually forced to deal with irreconcilable interests, difficult problems, insoluble con-

flicts and divergent ends. At the same time, the state lacks certain criteria and the effective ability to perceive, evaluate and make decisions about the main problems and conflicts.

Information about needs and subsystems is yielded hazily or in a deformed way by an opaque society, through distorted mediations, enigmatic or ambiguous messages, in turn uncertainly deciphered. Given the conflicts, changes and crises, as well as the lack of a lasting solution to the question of hegemony, no class, group, organization or institution dominates the state totally and exclusively, nor uses it, unfettered, to its own ends.

The state apparatus and its personnel suffer from the dialectic of the authoritarian centralization of power and feudal dispersion. The state becomes increasingly heterogeneous and contradictory.

The international crisis, together with unsatisfactory growth, increase problems and conflicts for which there do not yet seem to be solutions or actors to implement and carry them forward.

As a mental exercise in prediction, the resurrection of neo-statism is possible. Its coming into being would depend on the combination of several factors: a) the resolution of conflicts and crises; b) alliances among elites, classes, groups and institutions; c) the internal impact of external factors; d) the redefinition of development strategies and policies; e) a re-delineation of relations between the state and the market, the state and civil society, and among the public, private and social sectors; and f) the resolution of the dilemma between authoritarianism or democratization. ■■

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