



Creative destruction:
neoliberalism, development and
class war in Latin America

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Overview

- The long boom: the Keynesian compromise / developmental state (desarrollista state)
- Challenge and opportunity: crisis of the 1970s
- Neoliberalism – project to restore class power (Harvey 2005)
- Counter-revolution: financialisation, neoliberalism in US,UK; neoliberalism in Latin America (IFIs)
- Results
- Resistance

The long boom

North

- historic post-war “Keynesian compromise” between capital and labour in the North
- democracy/polyarchy
- sustained growth, low unemployment, creation/expansion of the welfare state
- systemic squeezing of elite economic interests: top 1% receiving 8% of income post-war, versus 15% pre-war (Harvey 2005)

South

- developmental state (ISI) – in more developed LA countries, a form of class compromise (Neuhouser 1992)
- democracy/polyarchy, populism, bureaucratic authoritarianism
- sustained, substantial growth Latin America average 6.4% per year 1963-73, 5.2% 1953-63 (Fishlow 1990:64)

Challenge and opportunity: crisis of the 1970s

- crisis of capitalist accumulation with declining profit rates (Dumenil and Levy 2004)
- systemic squeezing of elite economic interests: top 1% receiving 8% of income post-war, versus 15% pre-war (Harvey 2005), and economic (especially monetary) instability threatened worse
- the threat of elite control over political systems (liberal polyarchy) slipping away
- weakening of US economic hegemony in the real economy:
increasing economic competition between Western states (rise of West Germany, EEC and Japan) along with the costs of maintaining military hegemony

Neoliberalism

- utopian intellectual project to create free markets and destroy the collective structures that may impede them
- political project to restore class power, using the intellectual project as a useful ideology when it suited (Harvey 2005)
- as such, not a system, but a process: *neoliberalisation* (Peck and Tickell 2002)
- not just economic dimensions, but also cultural-intellectual-ideological (eg “trickledown” theory, individualism), and political (polyarchy)
- national in origin (US)
- development of a transnational capitalist class headquartered in the US (Robinson 2004)

Counter-revolution

Counter-revolution:

- financialisation: dollar-Wall Street regime (Gowan 1999) – petrodollars, abolition of capital controls, development of stock markets, conversion of IFIs to instruments of US financial capital etc
- neoliberalisation at home (US, UK): breaking the power of labour
- neoliberalisation abroad (via IFIs): breaking the developmental state, reducing social expenditures, increasing rate of exploitation (decreasing terms of trade)

Counter-revolution abroad: the need for shock (Klein 2007)

- military/coercive: suspension of the normal political process
- external economic constraint: debt crisis, providing leverage for IFIs to apply SAPs (“Washington Consensus”), and/or local elites to carry out their own neoliberalisation agenda

Neoliberalism US/UK

destruction of the power of organised labour

- legally (anti-union laws)
- symbolically (miners' strike, air traffic controllers' strike)
- economically (deregulation, privatisation)

- destruction of the welfare state
- drift to polyarchy

Neoliberalism in Latin America

Counter-revolution abroad: the need for shock (Klein 2007)

- military/coercive: suspension of the normal political process and/or “voodoo politics”
- external economic constraint: debt crisis

Debt crisis of 1980s

- massive interest rate spike, collapse of private lending, oil price rises and recession
- especially in poorer countries, continuing over-reliance on primary and low value-added exports
- IFIs as only source of borrowing
- conditionalities: SAPs
- neoliberal “development” – the Washington Consensus (state withdrawing from economy, reducing social and infrastructural spending)
- capital flight

Results

US/UK

- top 1% in US nearly regained pre-war share of income (Harvey 2006)

Latin America

- “the lost decade” in Latin America – despite economic recovery in early 1990s, average real industrial wage in Latin America was 5% below that of 1980 (Roberts 2002: 6)
- inequality up: eg in Mexico, income of wealthiest 10% increased 20.8% between 1984 and 1994, that of poorest fell 23.2% (Hoffman and Centeno 2003:368)
- poverty up: eg in Argentina, percentage of population living in poverty tripled in a decade, to 29% in 1990 (ibid)

Resistance

- Transition to democracy provided increased possibilities for left political activity
- popular protests against neoliberalism were common, but rarely sustained and with limited success
- resistance did not push political systems to cleave on class lines, instead structured by identity politics, notably race (Roberts 2002)
- legacy of depoliticisation through repression (to some extent ongoing) of left movements (Silva 2004); “new social movements”, not political

But: pink tide - Chavez, Lula, Morales, etc

- recent electoral success of left parties
- but limited ability to reverse neoliberalisation? eg due to international agreements, capital flows, domestic elite interests
- familiar elite backlash (eg Venezuela coup 2002, Bolivia regional autonomy 2008)

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