

A background map of Latin America and the Caribbean. Labels include Mexico, Gulf of Mexico, North Atlantic Ocean, Cuba, Ecuador, AM, PA, MA, CE, RN, PB, PE, AC, Brasil, PT, Paraguay, SP, RJ, PR, SC, Chile, and Argentina.

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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