Political and economic freedom in Latin America: ¿is their continued coexistence possible?

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This document deals with the process of consolidation of democracy and free market economy in Latin America, beginning with the changes undergone by the continent in the last three decades of the 20th century. Although the final outcome, in terms of success of the political and economic system remains open-ended, it is possible to observe that the majority of the governments adhere to election processes, the empire of the law and economic accountability. Historic novelty seems to have become the rule.

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1. Introduction

In 1996 *The Economist* (November 30, 23-26) celebrated the changed political and social circumstances in the American continent: the old economic populism and authoritarian governments that had become the political fixtures of the seventies and eighties had been replaced with the responsible economic policies and effective democratic civil governments prevailing practically in the whole of Latin America (Edwards 1995).

This state of affairs was undoubtedly new. For over a century political rhetoric had paid lip service to adhesion to democracy, but history showed that military tradition, political “caudillos” and rebellions appeared to be the rule, whereas civil representative governments were the exception (Knight 2001). However, in the last decades of the 20th century, the “third wave” of democratization in the world had its particular manifestation in Latin America, with progressive transitions towards democracy in the whole of the continent (Huntington 1991; O’Donnell, Schmitter & Whitehead 1994). Almost parallel to this was the development of the economic liberalization process begun in Chile in the mid-seventies, whose success was confirmed and admired by many countries. As a result, the capitalist economic system replaced that of imports substitution industrialization (ISI) and the formulations of socialism that had been so influential in the sixties and the seventies (Craig & Lafollete 1997).

Yet another casualty fell by the wayside: Marxist Socialism. With the fall of the Berlin Wall in 1989 also came the onset of the collapse of the Communist illusion, which had emerged with unusual strength after the Bolshevik revolution of 1917, had become widespread after World War II and had attained in 1959 its first Latin American triumph as a consequence of the victory of the Cuban Revolution led by Fidel Castro and his followers. At the turn of the century, Communism was no longer considered from the perspective of ideological promises but from the reality of history, which in some cases involved much more bloodshed and harm than fathomed by many. The millions of dead and the construction of totalitarian states throughout the world were best left behind as part of the past, whereas a freedom-based system was considered to represent the key to the future. The death of the Soviet Union in 1992 was the closing act of this farewell performance (Furet 1999; Pipes 2001).

Together with this unlamented denouement, the Latin American continent and the world hailed their welcome to democracy and capitalism. The apparently prevailing golden rule was “no unelected government”; “no development without the economy being taken seriously”. In other words, true political and economic freedom, actual growth and the end of false promises.

However, now in the early years of the 21st century it has become necessary to stop and analyze the reality of the Latin American continent from a historical and political perspective so as to draw conclusions that may be of use. This is particularly valid in view of the dark prospects for the region according to ECLAC figures that show that in 2002 the regional GDP fell by 1% – the worst recorded since the 80s – and that in 2001 it fell by 0.5% after having experienced a growth of over 4% in the year 2000. As for inflation, this index rose to 12%, twice as much as in 2001, after eight years of a declining trend, with the consequent worsening of the living conditions of a large number of Latin Americans (CEPAL/ECLAC, 2002). The number of poor is estimated to have increased by 7 million persons (1); the unemployment rate rose from 8.4% of the workforce in 2001 to 9.1%, whereas real remunerations dropped by 1.5% with a rise in unemployment and informality. As for terms of trade, all the Latin American economies deteriorated from 1998 on, with the exception of the oil-exporting countries: Argentina, Ecuador, Colombia, Mexico and Venezuela. The largest losses in accumulated relative external prices in the last five years corresponded to Peru (-21%), Chile (-19%) and Brazil (-16%).

This has meant that the current situation in South America has become uncertain and unstable since these economic difficulties have been compounded by serious governability crises and the born-again irruption of economic populisms, at least as far as discourse is concerned (Dornbusch & Edwards 1991). Argentina has been incapable of designing and implementing a programme of reforms to reverse its critical situation; the Government of Peru suffers from extreme political weakness; that of Venezuela has generated a profound discontent while Ecuador and Bolivia are facing similar situations. All of this makes it possible to forecast a clear retrogression relative to the 90s.

Is the region back to normal Latin American economic magic populism and devaluation of democracy? (Vargas Llosa 2002) Hugo Chávez, after imposing constitutional amendments of the socialist kind has been holding on to power; popular revolt in Argentina has forced putting the elections forward; in Peru, Alejandro Toledo presides over a government spattered by corruption and abuse of power and has inaugurated an era of populist concessions; while in Bolivia, Evo Morales is the true leader, vis-à-vis Gonzalo Sánchez de Losada, who lacks every decision-taking capability.

This new scenario triggers some questions: is the continuity of the democratic system feasible in Latin America or will the continent be swamped anew by authoritarian or revolutionary waves? Will the liberal economic model endure, or will the governments give in to populist protest and the difficulties of the region? Did the continent discover the missing link between free economy and democracy or did it just undergo a circumstantial moment devoid of transcendence? Is there anything in the current situation in Latin America that permits to foresee future performance, one way or another?

These are some of the central problems that this text shall address itself to.

Two underpinning concepts, democracy and market economy, need some clarification. In this article, democracy is understood in the Dahlian sense as political democracy, polyarchy (Dahl 1971). Therefore, we have deliberately discarded using more complex and interesting yet not very functional concepts like, for instance, social democracy. As regards the economic sphere, we have considered the essential features of market economy: free supply and demand, respect
for private ownership of the means of productions, free economic initiative, reduction in the size of the State, privatizations, etc. (2).

2. Latin America at the turn of the century

The year 2000 surprised Latin America in a new scenario characterized by an important consensus on liberal economic and political structures, albeit with some surface turbulence producing a certain degree of alarm and unrest. After over five centuries of “discovery” and scores of experiments, the continent appears to be approaching a stage of institutional continuity, international peace and acceptance of diversity. In addition, after a complex historical development in the 20th century, often marked by frustration and disillusion, Latin America seems to have reached some consensus on issues of government and economic development, after an almost endless chain of guerrilla, coups d’état, military governments, economic underdevelopment, and social prostration (3). The summit held in April 1998 agreed on some of the component parts of the so-called “Santiago consensus”, by means of which the Latin American presidents voiced ambitious targets for education and their explicit support to reforms in the financial, judiciary and public sectors.

Perhaps a decisive moment in the analysis of the continent at the turn of the century was 1 January 2003 in Brazil, the most populated country in the region and also the most important economy. There, in the only Portuguese-speaking nation in South America, Luis Inacio “Lula” da Silva, leader of the Partido de los Trabajadores (Workers’ Party), was sworn in as President of the Republic after three previous failed attempts. There was a combination of factors that characterized this event. In the first place, many presidents of the neighbouring countries attended his inauguration ceremony as a way to express normality in international relations and in the Brazilian regime, as well as in response to the need for safeguarding stability in Brazil given its preeminence in the region. The ceremony was attended by the Presidents of Argentina, Bolivia, Chile, Peru, Uruguay and Venezuela, and also by representatives of other nations. In turn, the new President of Brazil attended the presidential change-over ceremony in Ecuador, confirming the trend that seems to have consolidated in the region: presidents elected by popular vote take part in the inauguration ceremony of other presidents also elected by popular vote.

A second interesting factor was the friendly presence of two curious leaders: Fidel Castro, the sempiternal Cuban dictator, and a problematical Hugo Chávez from Venezuela, a country paralyzed by an almost one-month old general strike (including stoppage of the powerful oil industry). Both of them and Lula represent the strength of the new continental left, with some differences in shade. Democratic legitimacy accompanied the inauguration of the Brazilian president, whereas that very same day Castro celebrated the 44th anniversary of the Cuban Revolution and of the instauration of totalitarianism on the Caribbean island in 1959. As for Chávez, he took part in a military coup in the early 90s, was later victorious at the polls and ended up by governing a country on the brink of yet another a coup d’état and civil war.

A third factor was determined by the speech pronounced by Lula, in which he committed himself to put an end to the hunger and poverty affecting millions of Brazilians, many of whom had given their support to the leader of the Partido de los Trabajadores at the polls. Undoubtedly this is no easy task, yet it is a symbol: one of the richest continents in terms of natural resources met the arrival of the 21st century with over 100 million poor, a long enduring social disgrace accompanied by unfulfilled promises. Poverty coexists with important rates of illiteracy, lack of access to education and health and the danger of social explosion.

Finally, Lula’s empowering process is not only a manifestation of the freedom pervading the continent but also of the consensus reached. The new Brazilian President has friends and detractors, is admired and feared. What is more, he was invested with the democratic legitimacy afforded by his victory in the second round of the elections (that is, more than half the voters gave him their support). Lula succeeded Fernando Henrique Cardoso, who had defeated him at previous elections some years before (4) and has promised that his Administration will look after the democratic regime and will meet the international obligations of the country. These two promises imply that Brazil shall respect both its hard-to-get democracy (Brazil military intervention was in 1964) and the capitalist economic system (no longer subject to the threats prevailing in the same decade of the 60s in terms of building real socialisms in Latin America).

3. Democratic consolidation and market economy factors

On what grounds can we speak of democratic consolidation in Latin America? Why is it possible to believe in the continuity of the liberal economic model? What reasons are there to assign the present consensus a character of permanent – something that is impossible to prove today? (Alcántara and Crespo 1995).

Alan Knight (2001) summed up in a very clear way the current state of affairs in the continent: “The current conjuncture clearly favours a market-friendly, ‘padlocked’ democracy, resistant to popular revolution and conservative authoritarianism alike. The ‘revolutionary tradition’ appears moribund; the democratic ‘tradition’ commands the field”. This view is undoubtedly shared rulers and ruled, government and opposition parties, international forces and groups within the Latin American countries. Everything appears to “conspire” in favour of democracy and free economy.

A first contributory factor to this prevailing view has to do with the failure of alternatives and the always necessary comparative effect in social analyses. None of the utopias constructed to tackle the expansion of democracy in the late 19th and early 20th centuries managed to show a greater relative value, nor achieved better results in terms of political participation or extension of freedom or justice. Something similar happened on the economic plane: the promised social equality never materialized beyond declarations; the economic growth of the alternative models was little or nil
In matters economic exactly the same thing can be observed. In 1980 only Chile had made a head start on the profound economic reforms initiated by the Chicago Boys (Levine 1992), which at the time were the object of demolishing criticism (Foxley 1988). Criticism notwithstanding, numerous countries under administrations of varied political colour followed suit: Argentina under Menem, Peru under Fujimori, Mexico under Salinas de Gortari and Brazil under Cardoso, to mention but a few of the most important.

4. Criticisms of economic liberalism

In 1997 in Chile, the pioneer country in terms of structural reforms to the economy, Marxist intellectual Tomás Moulián published Chilé Actual: Anatomía de un Mito (Chile Today: Anatomy of a Myth). This work, a well-written and somewhat bitter essay, was a denunciation of the negotiated Chilean transition and the unquestioned rule of the market as a form of economic organization. But this is irrelevant: it is obvious that the campaign leader of Gladys Marín, the presidential candidate of the Communist Party of Chile in 1999 should be an avowed critic of political democracy and market economy. The curious thing was the enormous publishing and social impact of Moulián’s work, translated into best-selling figures and, also, the increasing number of accusations against the model on the part of trade unions and guilds, student federations, left-wing political leaders and – although to a lesser degree – members of the Concertación governments.

The personal or group opinions were reinforced by a harsh reality unconceived of in the years of the Chilean miracle, which in 1998 completed 15 years of uninterrupted growth an annual average of 7%. That was the year when things began to change: the country grew by 3.4% (4 percentage points less than the previous year) and in 1999, Chile had a negative growth of minus 1.1%. Another indicator that the country was proud of, the unemployment index, began to wobble. It rose to 9.7% in 1999 and reached two digit figures in the next years (Larraín & Vergara 2000). The “tiger” was wounded.

As a matter of fact, the critical wave began to swell all over the continent. Some even spoke of the exhaustion of the model while the prophets of doom found new audiences for their diatribes. Criticism was rampant in Chile and soon extended to other countries. Chavez has engaged in an anti-liberal crusade in Venezuela, with such arguments as those expressed on 5 July 2002 in commemoration of the Venezuelan Independence Day: “Neo-liberalism represents the road to hell for the peoples of this planet. The world is not viable if it chooses this way because it leads to war, death and destruction”. Several sectors in Argentina have also expressed similar views. No sooner was President Duhalde himself sworn in than he declared: “The very essence of this perverse model put an end to convertibility, forced two million compatriots to life below the poverty line, destroyed the middle class and led our industry into bankruptcy” (La Tercera, 24 August 2002). Alejandro Toledo in Peru, advocated a system “with a humane face”. Lula in Brazil
expressed himself in similar terms, as did the Zapatistas in Mexico and Morales in Bolivia, among many other manifestations of feelings against the state of affairs prevailing in Latin America.

For the time being, the detractors of the liberal economy are high on negative and low on proactive declarations, since these aim at attacking the model rather than at formulating viable alternatives. Their discourse resorts to anti-globalization, anti-capitalism, anti-international banks, but so far has made no reference to “pros”. Pro-state? Pro-nationalization of companies? Pro-autarchy?

In short, we can at present detect denunciation but no alternative formulations in Latin America. During the 20th century there were options such as military authoritarianisms, the Communist regime and Statism, but this is not the case today. Besides, there is yet another factor to consider: this is not the first time that the free economy system has undergone difficult moments in its short history. For example, there was the 1982-83 crisis in Chile, when many predicted the end of the Chilean model. Contrary to negative expectations, the country, which had been the forerunner of liberal reform, gained additional strength from the crisis and made more far-reaching reforms (privatizations, to name but one example), which were the model “exported” to other countries. Perhaps now, at the dawning of the 21st century, it is Latin America’s turn to overcome this trial: the way in which the continent confronts the historical moment may provide the foundations for the consolidation of the economic system in the whole of the region.

5. Current problems and pending tasks

John Williamson (1990) wrote that in “Washington” a considerable degree of consensus had been reached vis-à-vis proposed policy instruments to attain development. These were fiscal discipline, prioritizing public spending on education and health, tax reform, market-determined positive interest rates, competitive rates of exchange, liberal trade policies, privatizations, deregulation and defence of property rights. In the mid-90s, Latin America was in a state of expectancy given that the authorities of the countries involved in the consensus had taken measures that involved high growth rates. Thus, macroeconomic stabilization and structural reforms contributed to generate higher growth rates than in the 80s. It was common to find projected growth rates exceeding an annual 6% for the second half of the decade of the 90s (6). Also, the region experienced an increase in private capital, from a net flow of US$ 12.5 billion in 1990 to US$54.1 billion in 1993. At the same time, Mexico was invited to take part in spheres traditionally reserved to industrialized countries, like the North American Free Trade Agreement (NAFTA) and the Organization for Economic Cooperation and Development (OECD) (Burki and Perry 1998, ix).

This situation responded to the fact that during the debt crisis, Latin America’s priorities concentrated on attaining economic stability and dismantling essential elements of the protectionist model. This was necessary to make the most of the possible benefits of the growing volumes of reciprocal trade and capital flows, a measure that bore fruit in the 90s. The initial results were high rates of growth and popularity of the reforms in the countries in which they were applied in greater depth. On completion of his mandate, Carlos Salinas in 1994 was the most popular president in the history of Mexico. In turn, Alberto Fujimori in Peru and Carlos Menem in Argentina were reelected by a wide margin in the mid 90s (Vásquez 2002). There were expectations that these “first generation reforms” would increase the rates of economic growth and have a significant impact on the reduction of poverty. The region relied on the fact that the flow of capital and growth of exports would promote the development of the labour-intensive sectors, which eventually did not take place.

In the political sphere, these changes coincided with the processes of transition to democracy, which allowed the region to leave military dictatorships behind and meant the resurrection of a political society that encouraged the military back to barracks and the gradual strengthening of the weakened parliaments and courts of justice. This was combined with the fact that revolutionary alternatives in general and Marxism in particular suffered a severe loss of support from the population and political parties: Cuba was an island not only in terms of geography but also of ideology.

In fact, the reforms reduced poverty indexes and increased economic growth indexes. However, by the end of the 90s and beginning of the 21st century, a good number of countries experienced years of recession, political instability and economic crises. In these countries, the recovery of growth had not been associated with a strong demand for labour in the formal sector. On the contrary, there was a rise in unemployment and informal employment; the growth of exports concentrated in sectors making intensive use of natural resources, and the salary gap between skilled and unskilled labour became wider. Because of this poverty indexes remained unchanged at unacceptably high levels, together with economic uncertainty in the poorer and middle class social strata, as a result of labour insecurity and income volatility (Burki & Perry 1998b, 1-2). The IMF provided financial bailout for Mexico, Argentina, Brazil and Uruguay, but the most mind-boggling event of all was the collapse of the Argentine economy at the beginning of 2002. Default on its debt repayments and devaluation plunged Argentina into a severe depression, casting doubts in the minds of the Argentine people about the virtues of the market reforms. The disappointing 1.5% per capita growth of Latin America was indeed an improvement on that of the previous decade (-0.68%), but most certainly did not fulfil general expectations and was accompanied by economic turbulence. It is within this context of disillusion, by resorting to a populist and demagogic rhetoric disparaging the free market as the cause of the problems in those countries, that many politicians accessed power in Argentina, Brazil, Venezuela, Peru and Ecuador.

However putting the blame on the market was the wrong conclusion, since it should be remembered that the region’s change of course towards free economy took place because
of the failure of the policies of the past and not because the governments were committed to the principles of free market. To illustrate this, no other than the centre-left ruling party in Mexico, Peronismo in Argentina and Fujimori in Peru (contrary to his campaign platform) introduced liberalization, even after holding views opposing this model (Stokes 2001). In the mid-90s, the success of the first reforms made the governments lose interest in further liberalization. Because of this, the incomplete agenda of reforms was quite large and brought about diminishing returns in the shape of slow growth rates and negative economic indicators. The most evident case is that of Argentina: this country suffered high chronic unemployment on account of not having reformed its rigid labour laws (Vásquez 2002), and of maintaining a high level of fiscal spending. The fiscal deficit was initially financed by the privatizations and later by sovereign debt.

All this makes us conclude that it is necessary to accomplish additional reforms in order to attain that much yearned for sustainable growth and a significant reduction of poverty (Soto 2001).

A programme of reforms for Latin America should include at least some of the following proposals:

\[ a) \text{Increasing investment in human capital.} \] This implies prioritizing investment in education and health. Although the spheres of action of education and health have been extended, their quality continues to be deplorable compared to developed countries. From this point of view, inequality of opportunities in both areas is one of the main factors that determine the present income and poverty distribution of the region. It is evident that improved quality will promote competitiveness and growth of productivity in the medium and long term, thus making it possible to reduce poverty through economic growth. Such a programme should encourage the autonomy of schools under the control of parents and the community, promote competition between public and private suppliers, tag teachers’ remunerations to performance, reform teacher-training institutions and increase child-minding services, especially in the poorest sectors. The State should take over an important subsidiary function, promoting quality and access to formal education for the whole of the population.

\[ b) \text{Efficient financial markets.} \] It is a proved fact that the development of the banking and capital markets increases investment and makes it more efficient. In our region, the financial development indexes are still low, intermediation margins high and the stock and bonds markets reduced, concentrated and low on liquidity. In addition, the restricted access to credit of micro-entrepreneurs, small rural producers and the poor represents an impediment for economic growth to realize its full potential effect in terms of employment generation and reduction of poverty. From this point of view, the following measures are necessary: improved regulation and supervision of the financial markets, promotion of domestic and external competition, privatization of State-owned banks, creation of very active and liquid stocks and bonds markets, and integration of segmented financial markets for micro-enterprises, the rural sector and housing.

\[ c) \text{Improved constitutional, legal and regulations frameworks.} \] Property rights and the existence of appropriate legal and regulations systems have a decisive weighting on growth given that they promote a stronger and more efficient investment. In the case of the region, both foreign and domestic investors still have doubts about protection of property rights, fulfilment of contracts and credibility of the legal and normative structure. It is evident that the precariousness of such institutions combined with excess regulation encourages the activities of the informal sector and promotes growth modalities that do not reduce poverty. For this reason, it is indispensable to protect such rights, perfect property rights, formulate efficient laws for competition and eliminate all excessive and unnecessary regulation. For this, it will be necessary to reform the labour markets and the regulation frameworks for private investment in infrastructure and social services.

\[ d) \text{Good quality public sector and government.} \] The discussion today should not centre on the state as producer or entrepreneur but on its usefulness in terms of serving the people. What matters is its real usefulness, its capability to contribute to the common good. It is evident that normative frameworks are not much use if laws and regulations are neither obeyed nor applied. However, the quality of bureaucracies, trust in the government, reliability of the judiciary and personal security have become more and more deteriorated in Latin America. This affects investment and growth in a direct way, which makes it indispensable to carry out an efficient decentralization of the government and the reform of public administration and of the judiciary branch of government. In addition, the potential or actual risks of corruption are a warning light of the political stability of the continent.

\[ e) \text{New phase of privatizations.} \] The Latin American countries should once and for all raise up to the challenge of carrying out a new series of privatizations that will represent additional resources for the fiscal coffers of the different countries, to be invested mainly in education: in other words, a transfer from productive investment. Also the states should focus on functions that are inherent to them and should leave to the private sector the priority development of all the other social tasks (which the State can complement in conformity with its subsidiary role). Privatizations should be transparent and independent of ideologies. Moreover, they should include an ample series of goods and services: mining companies, airports, motorway concessions, education institutions, pensions systems, banks, etc.

\[ f) \text{Fiscal reinforcement.} \] In today’s globalized world, which is characterized by financial integration and instability of capital flows, fiscal caution and flexibility are the essential pillars of macroeconomic stability, which is the determining condition to raise the growth rates. Also such fiscal caution and flexibility contribute to high
races of domestic savings, with their subsequent effect on the level of investment in human capital and infrastructure. Also within this sphere other fiscal reforms are necessary to guarantee long-term sustainability such as, for example, social security reform, reform of the tax collection systems, etc.

However, reforms alone are not enough. It is also necessary to develop a frame for governability, sustainability and feasibility of public policies since they must not only be “technically correct”, but, just as important, the people must be convinced that they are beneficial. This makes it essential to transmit these ideas with force and conviction, so as to persuade the people and generate a consensus that such policies shall involve benefits in a world overwhelmed by economic crises. In the words of Eduardo Aninat, “we, economists, tend to blame interest groups for our inability to implement the correct policies: the different lobbies prevent us from reaching optimal solutions. Some of us even occasionally indulge in authoritarian dreams so as to overcome such opposition. However, we should ask ourselves whether we ourselves are incapable of persuading and generating the necessary support for reforms. If we are in the right, or believe so, why is our “product” so often not elected?” (Burki & Perry 1998, 123).

He expands on this with two examples that illustrate the importance of having a convincing discourse. The first one refers to the labour market. The difficulties of perfecting the workings of the labour market are due to the fact that we are often incapable of communicating, or perhaps ignore, the importance of a fluent market allowing for greater mobility, “not a more unprotected market, in which the workers with little skill and no negotiation power may end up by earning salaries way below those that would prevail in a truly competitive market”. The second example has to do with health. In Chile this system is incapable of satisfying the needs of the people, and the people are affected by limitations or impediments to access suitable health coverage.

How can such a system be sustained in the long term? Or, how deeply rooted can such an excluding system be? It goes without saying that on this issue the idea is not to retreat, but to persuade without resort to populism. “Public policies need legitimacy, and to achieve it, at least the majority of the people should be convinced via rhetoric or actual experience that the reforms are beneficial. Prescription alone is not enough. Persuasion and effectiveness are necessary” (Burki & Perry 1998, 123), given that it is evident that in the region there is no real comprehension of the nature of market economy.

6. The dangers of regression: authoritarianism and revolution

In a thought-provoking article, Paul Cammack (2000) asked: “In Permanent Retreat?” The author referred to what he called “the modest future role of the Armed Forces in South America”. Different authors have made the same point: after two decades of military governments in Latin America, it is possible to conceive of a more or less long stage of dissociation between the military and the government palaces of the different countries of the continent. What some have termed “authoritarian regression” appears to lack viability at the turn of the century (7).

Revolutionary appeal has undergone a similar process: from being a majority dominant choice, revolution seems at present marginal and dated. One single figure can illustrate this shift better than exhaustive explanations: Fidel Castro. When the young leader with the unkempt beard entered Havana on 1 January 1959, his idealism and youth represented a proposal for the future. It was no chance that Fidel was famous and admired, his ideals appealing and feasible and his project for continental revolution necessary and urgent. In the 60s, foci of insurgency appeared all over the region, with the young engaged in the fighting. However, nine lustrums have gone by and in the course of these 45 years young revolutionary Castro has become a perpetual and decadent dictator, the possibilities of victory no longer exist and Communism, originally extolled through ideals, now endures through brute force: revolutionary rhetoric has become repetitive, stale and out of place.

Although it is not the right time for dictators like Castro, there are circumstances that permit the development of figures like Hugo Chávez (Venezuela) and Lucio Gutiérrez (Ecuador). The coup-oriented demonstrations that they headed, far from being condemned by the citizens of their respective countries, conferred prestige and popularity upon them, so much so that each of them at a later stage reached power via the polls. They are political leaders that might well be considered part of “populist authoritarianism” (Dix, 1985), which used to be a political staple in the region but seemed to have fallen into oblivion.

As for military governments, everything seems to point to their being out of circulation for a long time. An example serves as confirmation. In the face of the severe crisis that raged through Argentina in 2001, many began to talk of a military intervention to overcome the chaos and misrule affecting the country. Yet there was not even a hint of a military pronouncement, as if the ghosts of the Malvinas/Falklands and the dirty war had scared away any possibility of military “solution” to the political crisis (8).

7. Conclusions

The future is an open question, which makes it difficult to draw definite conclusions. On occasions, some specific turning points contribute to change the course of events, as some historical actors manage to bend “fate” in their direction. If we were to look for similarities between democratic and capitalist Latin America today and a previous moment in history, we would pick the moment that the people of the continent witnessed during the process of post Independence. As in those years, there exists today a republican consensus. The old “no to monarchy” has become today’s “no to dictatorship” in any of its varieties. The obsession to build a free government was just as important then as it is now in the early years of the 21st century.

Another similarity has to do with hopes engendered, the wish for a better life and standing a real chance to have a history
that is worthier of being lived. Perhaps the heart of the matter is related yet different: neither economic models nor political systems can ensure the happiness of the men and women of the American continent. However, under given circumstances, they represent the possibility of realizing personal freedom, creative initiative, definition of life projects and participation in society. Economic models and political systems may also come to represent the opposite: the prevalence of the State over individuals, lack of rights and freedoms, impossibility to be part of a social project, etc. This seems to be the present state of the Latin American continent, whose inhabitants are in the threshold of a promising historic opportunity, whose outcome, however, is open. The key lies partly with the political and economic definitions that will be consolidated as the 21st century progresses. Should democracy endure as a system for political organization and participation, the historical novelty will become the rule, and stability will span longer than ever before. If the market economy manages to overcome the barriers and criticisms encountered along the way, economic growth and the defeat of poverty will be tangible and lasting certainties.

If, on the contrary, a historical regression should affect the course of either process, Latin America will also go back to facing some of the sad facts that have been its travelling companions: proliferation of poverty, oppression of dissidence, endless nightmares, new failures of old promises.

1 An opinion poll carried out by Zogby International for the University of Miami showed profound differences between the perceptions of the different countries whose inhabitants rated themselves as poor. 97% of Argentines did so, the same as 80% of Venezuelans, 76% of Colombians, 70% of Mexicans and 59% of Brazilians. In Chile, only 36% did so. La Tercera, Santiago, October 20, 2002.

2 Always useful to link both concepts, F. Hayek, *The Road to Serfdom* (1944) and *The Constitution of Liberty* (1959).

3 Although the historical outline may seem pessimistic, the “histories” on the continent confirm its instability and permanent state of crisis. The most complete and useful study is the collected work edited by Leslie Bethell (1991), *The Cambridge History of Latin America*.

4 This is a symbol of democratic consolidation, the so-called double electoral test mentioned by Huntington. He says that a democracy is more consolidated when an elected government is defeated and steps down to make way for another democratically elected government. See Huntington 1991.

5 In this sense, it is possible to disagree with Fukuyama’s idea of the end of history, yet his empirical analysis is consistent: economic and political liberalism defeated both “Fascisms” and Communism on the plane of ideas. See F. Fukuyama 1989.

6 It should be noted that the series of principles mentioned above and the annual growth of 6% had already been experienced by Chile after its reforms of the 70s and 80s.

7 See also Nunn, 2002.

8 See recent work by David Pion Berlin 2001; Kees Koonings & Dirk Kruijt 2002.

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