Is Latin America Transforming Itself?

In the advent of the global financial crisis the media has showcased Latin America as a poster child of resiliency and economic vitality. Consistently, it is named among the emergent regions with greater promise for upcoming years. The fact that for the first time in many decades it has not been at the center of an international financial crisis, was prepared to counter its effects, and has emerged from crisis much faster than developed economies has created the sense that the region is actually transforming itself. But, is it?

From a political perspective, one might say that it is, but not in a single direction, and not in every case with positive consequences. From a general perspective the region has moved towards greater political openness and inclusion. All countries have democratically elected governments, save Cuba. Previously marginalized groups, including women and ethnic and racial minorities have gained special constitutional rights. Several countries, like Bolivia, Venezuela, and Ecuador, have undertaken vast constitutional re-founding. And direct political participation has expanded both at the municipal level, through new models of participatory democracy, and at the national level, through diverse referenda and plebiscites.

In the course of the past year two years we have witnessed two historical political transitions, both held democratically and peacefully: in El Salvador, from the right to the left; in Chile, from the left to the right. In both cases the transition came on the heels of a decades-long period of political control by a single coalition or party. But the losers respected the rule of the ballot and in both cases went into the democratic opposition.

Yet, these trends towards democratic consolidation are not unequivocal. On the one hand, there is evidence that leaders recognize the cost of personalistic leadership and are prepared to step aside from power. In Colombia, Uribe accepted the verdict from the Constitutional Court that denied him an opportunity to run for a third term. In Brazil, Lula resisted the temptation to even seek a similar kind of constitutional reform to run for a third term. Both presidents where at the peak of their popularity and it is likely that, had they run, they would have secured their reelection easily. But they did not.

On the other hand, this experience is countered by the behavior of politicians elsewhere. In Nicaragua, Daniel Ortega secured a chance to run for reelection through a crass and strong-handed manipulation of the Constitutional Court. When the opposition objected he unleashed the “turbas divinas” who descended with fury on the legislature, impeding it from holding session. In Venezuela, Chávez has made clear his intention to remain in power until he can complete his revolutionary project. In order to do so he has recurred to intimidation and persecution of the opposition and has not hesitated to clamp down on the press. Whether grounded in fact or fiction, allegations that Zelaya was following similar tactics to perpetuate himself in power led to the coup against him in Honduras. The case of Ecuador,
more recently, gives grounds for concern: was Correa the victim of a coup plot, or was his display of bravado, followed by days of martial law, designed to justify a strong hand against his opponents?

Moreover, not everywhere has the rule of the ballot reigned supreme. The existence of fraud in municipal elections in Nicaragua has been broadly established, while intimidation and an environment of fear marred Lobo’s election in Honduras. The very regime that Lobo succeeded was a stark reminder that coups are not altogether gone from the political landscape of the region. Opposition leaders elected in local and regional elections in Venezuela were emasculated by administrative and political maneuvers, the denial of funds, and in some cases by physical impediment to take over their offices. And other examples are not hard to come by.

The clearest form of transformation that the region has experienced is in the form of greater openness, and with greater openness comes greater contestation. As previously marginalized groups have become empowered, some of these societies have become more conflictive. This can be good insofar as conflict drives change. But conflict can also imply instability. The way to keep conflict manageable is to bind it within democratic institutions—and here is where we encounter the boundaries of our transformation, since for the most part, these institutions in the region are weak. Political parties lack coherent structures, are ideologically muddled, and not very democratic internally. As such, they are hard-pressed to serve as able intermediaries. Legislatures, and the legislators within them, are broadly discredited and mistrusted by the people. Paradoxically, it is precisely the least democratic institutions within these societies, like the army and the church, that enjoy the highest levels of trust among the population. This serves as an enormous temptation for them to act as the ultimate arbiters of the common good.

Yet, as Chavez himself is fond of reminding us, the emergence of illiberal alternatives is a not a cause but a consequence. Political inclusion has advanced much faster than economic inclusion in our region, despite recent favorable trends. The period of economic opening that even preceded the political one, failed to live up to the expectations it generated, and many feel defrauded. Democratic institutions without economic inclusion produce cynical and disenchanted citizens that lose faith in those institutions and become willing to abandon them.

To be sure, this has led to a recognition that large disparities of income will not necessarily disappear as a side product of economic growth, that active policies specifically designed to improve the plight of the most disadvantaged are also necessary and can actually compound the effects of growth through improvements in human capital. Conditional Cash Transfers (CCTs) are the best policy expression of this recognition. Together with a broad prevalence of prudential macroeconomic management, these policy responses represent an important transformative aspect.

At the same time, this model of social policy transformation is not unique in the region. Some countries have vied for a greater level of state discretion in economic
management and more direct redistribution of income. They have also privileged state control of productive sectors, national savings, and foreign reserves. Which model will prove more effective and resilient will be determined in time, but the effects of the more direct approach are already being observed in higher inflation levels, lower investor trust, and weaker currencies.

However significant the transformations we have discussed are, there is a deeper sense in which the region has been unable to effectively transform. For the most part, and with notable exceptions, the region lacks the type of administration of justice that could ensure the proper functioning of the rule of law. This constrains states from stanching corruption and impunity in the face of crime, but also from being able to guarantee personal safety and property rights. This is one dimension of a broader weakness that the region has yet to redress: a lack of state capacity. With the exception of Brazil, tax burdens in the region are far too low to endow states with the resources necessary to pursue effective policies. While in many cases the scope of the state is broad, in most of the cases its strength is low. Low levels of competence, high levels of patronage, and the absence of merit-based structures plague public bureaucracies in the region.

To the extent that the region is far more globalized, it is being transformed as much as it is transforming itself. It is exposed to transnational forces that it cannot control entirely. These include migration, trade, financial flows and remittances, but also drugs and its multiple forms of organized crime. The question then becomes whether states in the region have the wherewithal to manage, and where necessary counter, these forces. This speaks about a different kind of transformation, a pernicious kind, one where the state finds itself in competition with criminalized organizations—to retain a monopoly of the legitimate use of force, to provide social services, and to provide employment.

Latin America is indeed transforming itself, but in more ways than one. Policies must continue to translate into steady improvements of material conditions for the poor, a reduction of inequality, and a strengthening of state capacities if citizens are to retain their faith in the kind of transformation that follows along a democratic path.

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