

Changing course in Latin America: Reconciling democracy and the market?



**Alina
Rocha Menocal**

'What lies behind much of the renewed appeal of the "left", in its different shades and manifestations, is a deep-seated sense of collective frustration among citizens about the failure of democracy to deliver tangible economic benefits'.

With twelve presidential elections taking place between November 2005 and the end of 2006, this is an important time for Latin America. Popular frustration is growing throughout the region, and the left is enjoying a resurgence. The new leaders of the left, however, face expectations they will find hard to meet. Will the pressures of democracy allow them to balance the demand for redistribution against the requirements of economic stability and growth? If not, as Latin America's own history demonstrates, democracy itself may be at risk.

The outcomes of these electoral contests will substantially affect the prospects of consolidating or redefining the political and economic reforms of the past two decades. Since the 1980s, Latin America has experienced a profound transformation toward democracy and a more market-oriented economy. This dual transition, however, has not ushered in the 'end of history' that Francis Fukuyama hailed at the beginning of the 1990s. Instead, initial enthusiasm has given way to more sober appraisals of the current situation in Latin America. A growing recognition that democracy cannot be reduced to the holding of elections but must also meet the demands and basic needs of its citizens, including the promotion of economic development, has led to critical questions about the nature, quality, and efficiency of Latin American democracies.

In this respect, it is worth revisiting Karl Polanyi's classic analysis of what he called The Great Transformation -- the clash between market and society that was brought about by industrialisation and led to the destruction of the basic social order that had existed until the end of the 19th century. Formulated in 1944, Polanyi's argument resonates forcefully in 21st century Latin America. This has been evident in recent electoral processes throughout the region, where apparent tensions between democracy and market have taken centre stage.

Since the election of Hugo Chávez in Venezuela in 1998, left-leaning governments have come to power in countries from Argentina and Brazil to Ecuador and Uruguay. Most recently, the victory of Evo Morales in Bolivia in December 2005 and that of Michelle Bachelet in Chile in January 2006 point in the same direction, while left-of-centre candidates such as former Mexico City Mayor Andrés Manuel López Obrador and former military officer and nationalist Ollanta Humala look poised to win in forthcoming elections in Mexico and Peru, respectively.

Despite the apparent pattern, it is essential to recognise that this shift toward the left is not a homogeneous trend. There are significant differences in style and substance between Chávez or Morales (with their fiery dreams of a 'Bolivarian revolution'), Néstor Kirchner (with his particular homegrown brand of economic nationalism in Argentina), and Lula, Bachelet, or even López Obrador (with their more pragmatic, social-democratic approaches to the market). Putting all these leaders in the same category is misleading.

On the other hand, there are some common features. What lies behind much of the renewed appeal of the 'left', in its different shades and manifestations, is a deep-seated sense of collective frustration among citizens about the failure of democracy to deliver tangible economic benefits. Across Latin America, this frustration has given rise to a widespread backlash against the free-market reforms that formed the 'Washington Consensus' of the 1980s and 1990s. These policies are widely perceived to have been implemented by and for the benefit of established elites. Even where they have spurred economic growth (which has not always been the case), they are believed to have contributed to a further widening of the gap between rich and poor in a region that has long been considered the most unequal in the world. Against this backdrop, leaders of the left have galvanised popular support by promising in one form or another to tame the

forces of unbridled capitalism, protect the rights of the poor against larger economic interests, and address inequality. The problem Polanyi identified of reconciling the demands of the free market with the need for minimal social cohesion and protection thus seems to have found particular relevance in Latin America, and the current electoral processes have become the battlefields where these struggles are played out.

For Polanyi, the resolution of the clash between market and society was not a conflict-free process, and in many cases it did not bode well for the survival of liberal democracy. There are similar perils in Latin America today. Poor economic performance and stalled development pose a particular challenge to the stability and sustainability of the region's fragile democratic systems. There is a growing popular disillusionment with what Atul Kohli has defined as 'two-track democracies'-- democracies where citizens can vote for different candidates and parties but do not have real choice over policies. The serious shortcomings engendered by this type of restricted democratic space threaten the prospects for a consolidation of democracy.

Several of the nascent Latin American democracies have become characterised by a 'dual institutionalisation process' whereby formal and informal institutions coexist, often to the detriment of the quality of democratic processes. Government accountability remains poor and the rule of law, so essential to guarantee the equal rights and opportunities of all citizens, is applied inconsistently. More often than not, the outcome is resentment, tension, and conflict.

The problem runs all the deeper because representative institutions in Latin American democracies are experiencing a crisis of legitimacy. Supporting Kohli's argument, recent surveys have shown that political parties and legislatures are the national institutions least trusted by citizens, ranking well below the Church and even the armed forces. As a result, in many cases relations between governments, political parties and civil society remain

contentious, and institutionalised civil society participation is often lacking. Thus, since the late 1980s fourteen elected presidents have been unable to complete their constitutional terms in office, frequently as a result of popular protests staged by citizens increasingly inclined to take to the streets to express their discontent.

While Latin America confronts many challenges, the current elections also open up important opportunities. For one, they have brought the discussion of economic policymaking to the forefront and have challenged the assumption that there is only one viable economic model. The hope for the region may well lie in moderate, centre-left leaders who are exploring the possibilities of an economic system in which markets function in partnership with democracy. As they strive to engage the more populist movements and keep them within the democratic mainstream, these leaders may offer the best chance of undertaking difficult and painful reforms because of the popular legitimacy bestowed upon them.

It is up to the international community, as well as to traditional forces in the region like the United States, to recognise that the failure of the Washington Consensus to achieve development and improve the standards of living of the majority implies a need to rethink priorities and redefine national goals. International actors need to work with those moderate governments that are seeking to build a democratic solution to the tensions between society and market. As globalisation increases frustration at the lack of jobs and threatens economic security more generally, the likes of Lula, Bachelet and López Obrador may turn out to be trailblazers for new ways of bridging the gap between markets, development and democracy. We would do well to follow them closely, engage with them and support them in their efforts to avoid the mistakes of the past.

Written by [Alina Rocha Menocal](mailto:a.rochamenocal@odi.org.uk), ODI Research Officer (a.rochamenocal@odi.org.uk)



Overseas Development Institute

111 Westminster Bridge Road, London SE1 7JD

Tel: +44 (0)20 7922 0300

Fax: +44 (0)20 7922 0399

Email: publications@odi.org.uk

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