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HUSO 2073 Governance and Democracy in Developing Countries: Assessment - A topic negotiated in consultation with the lecturer.

During the last two decades of the 20th century many Latin American countries underwent political change from authoritarian rule by dictators or military junta toward democratically elected governments – a phenomenon referred to as the "third wave" of democracy. Concurrently the debt crisis in the region enabled the World Bank and IMF to impose conditions of economic reform, known as "structural adjustment" or "neo-liberal economics".
For one or more Latin American countries explore whether structural adjustment policies have hindered or promoted the democratic transition and what has been the outcome in terms of human development in this changing polity and policy environment?

Introduction

The roots of the late 20^{th} Century transition to democracy in Latin America have been linked to the process of socio-economic development, initially sparked by the expansion of the export sector, circa 1880-1930, and then accelerated by the modernising processes of industrialisation and capitalist development of 1930-60 (Kamrava & Mora 1998). These processes gave rise to an organised working class and a small bourgeois (Anderson 1967). This, plus increasing urbanisation, set the foundations for popular participation (Johnson 1958). However these new classes were not easily absorbed into the traditional rural-based patron-client networks of established oligarchic parties whose aristocratic elites - 'criollos', 'mestizos' and 'caudillos' - had stepped in to fill the authoritarian vacuum after the defeat of the Iberian colonialists (Larrain 2000). This created the opportunity for their mobilization by populist figures such as Juan Peron, Getulio Vargas, Lazaro Cardenas, and Victor Raul Haya de la Torre, leaders of new populist parties that advocated grassroots organisation, social reform, and nationalistic protection policies such as Import Substitution Industrialisation (Roberts 2003). Thus aspirations for modernity took on a distinctly Latin American identity (Larrain 1994). The receding of the military dictatorships allowed these movements to re-emerge, a period commonly referred to as the 'third wave of democracy' (Huntington 1991), from the mid 1970s to mid 1990s.

In terms of socio-economic development the region's income per capita rose by approximately 3 percent per annum between 1950 and 1980 (Berry 1997), including an extraordinary figure of over 5.5% during the period of Import Substitution Industrialisation - 1960s and 1970s. Altimir (1982) extends his analysis to estimate that Latin Americans living in poverty fell from 65% of population in 1950 to around 25% by the middle '70s. This substantial achievement was then interrupted by economic downturns, beginning mid-1970s initially in the Southern Cone countries. The region shared the affliction of the international debt crisis of the early 1980s (Berry 1997). In Central America the debt grew by 15% per annum between 1981 and 1984, finally reaching 89% of the regions GDP by 1987 (Zack-Williams, Brown & Mohan 2000). Economic crises involved macroeconomic imbalances of hyperinflation and balance of payment blowouts as exports collapsed and energy import prices soared after the oil shocks of the 1970s. Rapidly rising interest rates combined with economic downturn saw debt levels explode as populist political leaders initially borrowed deeper to offset the political consequences of rapidly falling real wages and living standards (Edwards 1992).

Election of neo-conservative monetarist Thatcher (UK) and Reagan (USA) governments followed by collapse of the Soviet Union, led to denouncement of economic models of state-directed, centrally planned economies. Introduction of market reforms in Eastern Europe and the former Soviet Union countries and the apparent vigour with which governments and the populace shifted from planned to market economies gave neo-liberal reform considerable impetus in Latin America (Gwynne & Kay 2000). In short, market orientated reforms were perceived by politicians as the only way out of the financial crisis (Fernández & Mommen 1996). During the Méxican six month debt moratorium of 1982-3, The Bretton Woods institutions – The International Monetary Fund and the World Bank were called upon by the US and other governments who hosted the international banks, to avert an international financial collapse of the 1930s scale by taking over the regions financial liabilities (Rosen 1997). These institutions then held the ‘seal of approval’ forcing developing countries to comply with structural adjustment conditions attached to loans vital to sustain their economies under the burden of heavy debt (Graham 1991).

This essay will examine the relationship between the dual transitions of democratisation and structural adjustment, backgrounded by trends in eleven development indicators in ten Latin American countries, during 1980 to 2000. I will begin by defining democracy then proceed to contrast social and liberal democratic ideologies. Amongst theories of democratisation I will select the lens of modernisation and review Lipset’s and other prominent scholars contributions. Adopting Williamson’s taxonomic classifications of structural adjustment policies - in particular focussing on privatisation - I will investigate their socio-economic effects, and the implications for democracy. Emphasis will be placed on the role of civil society, across the region. Next I will draw together the preceding discussion to highlight areas of convergence and conflict, re-enforcement and destabilisation, between the processes of democratisation and structural adjustment. The particular nature of the resultant democracy in Latin American countries will be scrutinised from a socio-historical perspective while the next section looks at development outcomes for the twenty year period. Finally conclusions will be drawn, reflecting on the democratic, socio-economic and development dilemmas facing Latin America at and after, the close of the 20th century.

Democratisation and Socio-economic Development

Democracy can be defined as “a system with institutionalised procedures for open and competitive political participation, competitively elected chief executives and substantial limits on the powers of the chief executive” (United Nations Development Programme (UNDP) 2002, p. 36). When democracy re-emerged in the modern world (Arblaster 1998) the fully participatory or ‘direct’ democracy of the city state of ancient Athens (Forrest 1966) was impractical at national or even regional level due to mass communication difficulties. Hence a ‘representative’ democracy, (hereafter referred to as democracy) which better fits the definition given above, evolved.

Under a representative democratic system legitimate political authority is given by the people to elected political representatives to govern in the people’s interest (Jary & Jary 2000). However, how this ideal should be translated into political institutions and practices remains highly contested (Vacs 2004; Adams 2003). The Organisation of American States (OAS) charter defines the signatories as democratically elected heads of state and names representative democracy as the sole legitimate political system in the Americas (OAS 1992). Yet in the context of representative democracy the OAS have agreed, “there is no political system or electoral method that is equally appropriate for all nations and their peoples [and] … the international community … should not cast any doubt on the sovereign right of each State to elect and develop their political, social, and cultural systems freely, whether or not they are to the liking of other states” (Cooper & Legler 2001 html).

Liberal democracy is founded on the two key principles of liberty and equality, upheld by the rule of law and the sovereignty of the people (Grugel 2000). The right to have rights; civil rights, property rights, political rights and minority rights emphasise the individual who is protected by the accountability, representation and constraint of government and its institutions (Jelin 1997). These individual rights act as a safeguard against unchecked majority control (Sunstein 1993). However an inherent conflict occurs between property rights and liberal ideas of equality. By preventing recurrent struggles over the distribution of wealth property rights can be considered antidemocratic (Riker & Weimer 1993) and unlike civil rights are exclusive (Macpherson 1978), sometimes violently so (Foweraker & Krznaric 2002).

Theories of democratisation can be categorised into three distinguishable though not totally disparate methodologies: Modernisation, Transition and Structural (Shaw 2005). Here I examine the interaction of democratisation and structural adjustment through the lens of modernisation. Modernity is a rationalist, empericist ideology of scientific and economic progress that grew out of the Enlightenment (Jary & Jary 2000). It has strong universalistic tendencies which when confronted with societies whose ideology is historicist or metaphysical can result in racist superiority (Larrain 1994) or lead to western-centric interpretations of the 'Other' (Said 1995).

Martin Lipset's 'Some Social Requisites for Democracy: Economic Development and Political Legitimacy' (1959) is considered to be the seminal work on the modernisation theory of democratisation. This became the typical "starting point for all future work on the relationship between political systems and the level of economic development" (Diamond 1992 p. 450). Lipset's original conclusion that there was a proportional positive relationship between economic development and level of democracy has been scrutinised by many authors, researchers and academics in the decades since. Contestations to Lipset's claim of causality are few but do exist in the context of Latin America (Wiarda 1999). Diamond (1992) highlights that Lipset's categorisation of countries conveniently obscures that post-WW2 communist Eastern Europe's modernisation surpassed the more democratic Latin America. Theoretical support for Lipset's thesis was provided by Coleman's 'The Politics of Developing Areas' (1960), and the writings of influential development figure Max Weber (1968). Lipset continues to be influential in development theory today, leading to what Marxist academic and Latin American scholar Munck (1986) has described as a "super optimistic view of democracy and capitalist development" (p. 15).
A feature of Lipset's later work (Lipset, Seong & Torres 1994), pertinent to the region is the 'N' curve phenomenon. This describes an interruption of the democratisation trend as income levels rise from low to middle, where middle is defined as an income of $2346-5000 USD in 1980. At higher incomes the direct correlation resumes. México and a majority of South American countries including all the southern cone (Chile, Argentina, Uruguay) were within this middle GDP per capita range in 1980 and remained so throughout the following twenty years (The World Bank 2003a). Haggard (1995) confirms Lipset's 'N' curve by finding no evidence that upper middle income countries in the region were any more democratic, in terms of political rights or civil liberties, than lower middle income countries. Lipset et al (1994) addresses the dilemma of averaging of incomes in a region of high inequality (World Bank 2003a) by showing an even stronger correlation between physical quality of life and democratisation. Other important correlations to democratisation from his work as elicited by Diamond (1992) are; rural to urban migration, education and communication, and civil society and participation.

In the 1970s the most potent challenge to the Lipset thesis came from the dependency school theory of exploitation of peripheral developing countries by central developed countries (Frank 1967; Amin 1976). In contrast to modernisation, dependency theory proposed that United States and Latin America's development does not go forward complementarily; rather the development of the industrialised countries had actually occurred at the cost of, developing nations (Cockcroft 1970). Socio-economic development was a zero-sum game, with the progress of the industrialized countries a product of the underdevelopment of the Third World (Dos Santon 1970). Peripheral countries were victims of global forces imposed by multinational corporations, world markets, foreign embassies, and military interventions which developing countries were powerless to control along with the inevitably unfavourable outcomes (Cardoso 1979). Dependency theory emerged at a time when democratic modernisation was suffering a credibility crisis as, beginning in the mid- to late 1960s, countries south of the Rio Grande increasingly spiralled into " the long night of military dictatorship" (Munck 1989). This 'reverse wave' resulted in, by the late 1970s, military regimes governing in eight South American countries – Argentina, Bolivia, Brazil, Chile, Ecuador, Paraguay, Peru and Uruguay, as well as El Salvador, Guatemala, Honduras and Panama on the Central American isthmus (Chasteen 2001).

However by the mid 1990s, at the culmination of the 'third wave' and with the shadow of the 'lost decade' receding, democracy was at least formally established in nineteen of twenty Latin American countries (Wiarda 1999). Two World Bank publications, Governance and Development (1992) and the World Development Report 1997: The State in a Changing World (1997) broadened the democratic modernisation paradigm beyond structural adjustment, by introducing the 'good governance' agenda which encompassed four broad policy areas: efficient public sector management; accountability on public spending; an effective and independent judiciary administering a human rights based and market friendly legal code; and transparent government financial decision making (World Bank 1997). United Nations Development Program Human Development Report 2002 "Deepening Democracy in a Fragmented World" (2002) closed the 20th century chapter on democratic modernisation, including a brief literature review on "Democracy and Economic Growth" (p. 56). This report included a study by Landman (1999) who found the level of economic development for Latin American countries had no effect on the rate of change to democracy for any of seven measures of democracy.

Frequently overshadowed by the macho-posturing of political power rivalry are important gender implications of democratisation. Fertility rates, strongly associated with women's well-being (World Bank 1993), are significantly lower in democracies at all income levels. This proves robust for transitions either way that is, fertility rates go up as countries move toward authoritarianism and down when transitioning to democracy (Richards 2003). This has profound consequences on a majority of the world's people since the well being of women is directly related to the well being of the household (World Bank 1993).

Structural Adjustment, the 'Debt Crisis' and International Financial Institutions

Structural adjustment policies are often preceded by 'stabilisation' policies as dictated by the International Monetary Fund (IMF) (2000). Stabilisation refers to changes in macroeconomic management involving; reducing government spending, short term demand management to reduce or eliminate current account deficits, and the general tightening of monetary policy. Low inflation and a stable currency exchange rate are the goals though the latter may initially require sharp devaluation to make exports more competitive and reduce demand for imports (Mosley, Harrigan &

Toye 1995). A stabilisation program is frequently a pre-implemented condition of World Bank structural adjustment loans. 'Structural Adjustment' refers to domestic economic policy changes of the 'free market' variety, involving liberalisation and privatisation of various sectors of the economy usually agreed with (imposed upon) a country by the IMF and/or World Bank directed toward increasing the 'supply side'. This is achieved by 'conditionality', that is, tying the recipient's agreement to financial loans (Zack-Willimas et al 2000). An export-led financial recovery, according to neo-liberal economic theory, makes hard foreign currency available to repay loans from the World Bank and other creditors, in particular the large debts amassed during the debt crisis of the early 1980s. The problem of income distribution is, in theory, mitigated by the introduction of the trickle down effect, which allows those at the bottom of the income distribution to benefit from growth. Growth and development are thus treated as equivalent in their meaning, and any growth policy is by definition a development policy (Kapstein 1998/1999). Technocratically, society equates to economy (Kiely 2003). Hereafter the term structural adjustment will refer to policies of both stabilisation and structural adjustment.

British economist John Williamson coined the term 'Washington Consensus' in 1989 in reference to a range of policy reforms being urged on Latin America primarily by the IMF World Bank and the United States government (Wiliamson 1992). In light of the frequent criticisms of structural adjustment policies being applied as a "one size fits all" or "single prescription" (Stiglitz 2002) these strategies are best judged by their effects and outcomes on countries of Latin America, the region for which they were specifically devised.

Williamson's Taxonomy of Structural Adjustment as outlined by him in 1992 when working at the Institute of International Economics in Washington is shown below:

WILLIAMSON'S TAXONOMY	**Meaning** [1]
Fiscal Discipline	by reduction of budgetary spending to give a surplus, to allow debt re-payment.
Public Expenditure Priorities	involving reduced spending on 'politically sensitive areas' that is administration, defence, fuel or food subsidies for the poor and clientistic payments by switching funding toward neglected fields with high economic returns such as health education and infrastructure. Williamson claims potential for progressive income re-distribution.
Tax Reform	as in broadening the tax base by reducing marginal rates and introducing VAT/GST consumption taxes.
Financial Liberalisation	by deregulation of interest rates. Here Williamson cautions that under condition of low market confidence rates can rise sufficiently high to bankrupt both productive private enterprises and governments.
Exchange Rate	devaluation to allow exporters competitively then de-regulated but "effectively managed" to maintain competitiveness.
Trade Liberalisation	by rapidly replacing quantitative restrictions by tariffs, then progressively but aggressively reducing tariffs to a maximum of 10%.
Foreign Direct Investment	barriers to be removed to encourage foreign firms to allow them to compete on equal footing with local firms.
Privatisation	of state owned enterprises, without exceptions.
Deregulation	by abolishing any regulations that impede competition or discourage entry of foreign firms, the only exceptions being for safety, environmental or grounds of prudent supervision of financial institutions.
Property Rights	to be securely legally enforceable without excessive costs or bureaucracy and available to the informal

[1] Author's interpretation

sector.

(Williamson 1995, pp. 57-59)

Structural adjustment policies were first introduced In Latin America by dictatorial military regimes (Pinochet in Chile, Videla in Argentina,) and authoritarian one party states (de la Madrid and successor de Gotari in México) during the 1970s. In other countries with more established democratic rule such as Costa Rica and Colombia reforms were a response to the debt crisis whereas in, for example, Nicaragua, Brazil, the democratic transition and radical economic policy changes occurred concomitantly. By the mid-1980s a majority of governments were electoral democracies. Support for democracy came from both left and right of politics after economic crises had undermined the confidence in the governance of bureaucratic authoritarian regimes (Chalmers, De Souza & Boron 1992). A dual transition – political and economic - was bolstered by the belief that the market based economy would generate prosperity shared by a majority of the population (Vacs 1994) who were also desperate for relief from the effects of hyperinflation (Bolivia 8,000% in 1985; Nicaragua 13,000% in 1990 [The Development Group for Alternative Policies, Inc (Development GAP) 2005, html]) associated plunging real wage levels and the accompanying chaos and violence.

Between 1980 and the close of the millennium, Latin America experienced economic stagnation punctuated by systemic crises, accompanied by costly bailouts that further weakened the basic productive structures of the economy (Petras & Veltmeyer 1999). Trade liberalisation led to a flood of cheap imports wiping out local industries reversing decades of industrialisation (Structural Adjustment Participatory Review Network (SAPRIN) 2002a). Those that did survive met with stagnant or sluggish export growth on a far from level playing field where foreign firms were enticed to invest by offers of cheap energy and low taxation (Petras 1997). Trade deficits compounded current account deficits while adjustment programs only decreased national productive capacity (Petras & Veltmeyer 1999) This lead to a change in the source of financing deficits from foreign debt to; inflows of foreign investment, remittances from expatriate workers and, in the central Andean countries, drug money (Knoester 1998) all highly unstable sources that do not contribute to solving the underlying structural problems leading to deficit growth (Development GAP, html). Dislocations, increased poverty and inequities generated by economic adjustment policies through the destruction of domestic productive capacity resulted in a failure to generate sufficient employment at a living wage (SAPRIN 2001, 2002a, 2002b).

The neo-liberal export led economic growth model has been described as an attempt to universalise the experiences of the east Asia newly industrialising countries to Latin America (Wyman & Wyman 1990). Such regional comparisons have come under strident criticism from several authors. Nobel Prize winning economist, ex-presidential advisor to the Clinton administration and World Bank CEO 1997-2000 Joseph Stiglitz, is one of the most prominent. In his book 'Globalisation and its Discontents' (2002) Stiglitz points out the reality of the differences between the east-Asian 'miracle' and the Latin American dilemma; the miracle had occurred "not only in spite of the fact that they had not followed most of the dictates of the Washington Consensus, but because they had not" (p. 91; author's emphasis). For Stiglitz, the Consensus confuses ends with means and, by ignoring other necessary conditions for development such as; democracy, sustainability and equity, is often counterproductive. While remaining in support of trade liberalisation and privatisation as key parts of sound macro-economic policies, he emphasises that they are not ends in themselves. Boron (1996) takes a broader historical perspective in highlighting that of the most successful examples of post-WW2 period; Germany, Italy, France, Japan, and later Spain, Korea, and the east Asian 'tigers', none have followed the free market prescriptions of the IFIs. On the contrary stories of successful growth have invariably involved direct intervention by governments to assist fledgling industries attain competitive international export status and high levels of domestic saving which is then wisely invested (Stiglitz 2002). Record economic growth levels over the last decade in China represent a more contemporary example of the negation of any necessary connection with democratisation.

High levels of indebtedness to the IFIs combined with conditionalities has forced Latin American governments to persue economic credibility with international creditors by cutting social spending budgets on health, education and safety nets such as food subsidies, rendering those on limited incomes even more powerless (Wranik-Lohrenz 2000). When reductions in public expenditure curtail services previously provided by the state women, without receiving economic compensation for doing so (Lopez 2003), are called upon to fill the gap thus limiting the degree to which such cutbacks adversely affect infant mortality and life expectancy.

The Democratic Transition and Structural Adjustment: Convergence or Conflict?

Conflicting views exist concerning relations between economic liberalism and democracy. On the one hand Domínguez (1997) has asserted that market oriented policies promote political democracy, that the liberalisation of markets contributes to the liberalisation of the political realm. Accordingly freer markets can be an important curb of abusive state power, can increase choices, foster individualism and promote social pluralism; the classic ingredients of a capitalist liberal democracy where capitalism is the most effective and efficient means of economic development (Petras & Veltmeyer 2001) and since the disintegration of the USSR post 1989, seen as the only alternative.

On the other hand is the view is that political and economic reforms tend to undermine each other. According to the reasoning of Oxhorn and Starr (1999), the impacts of economic reform in Latin American countries, hinder both the consolidation of democracy where it already exists, and the extension of democracy where it is limited or does not exist at all. Additively, they argue, the constraints elections impose on governments inhibit radical economic reforms. During the processes of adjustment those interest groups that stand to 'lose' are more easily identifiable than those who stand to gain and in contrast to the costs, benefits of reforms are usually uncertain, delayed and diffused (Nelson 1994). Losers include the politically influential urban and rural oligarchy who own protected industries and public sector employees on whom actioning of reforms depend (Kamrava & Mora 1998).

More concretely, outside the overlapping spheres of political and economic theory, conditionality clearly undermines democracy by supplanting public policy making (Santiso 2001; Stiglitz 2002.). Countries of the Latin American region have minor representation and no effective decision making power within the IFIs which are controlled by the United States and its advanced capitalist allies within the 'G8' group (Peeler 2004). As well as being anti-democratic the IFIs lack transparency. They are doubly opaque "radiating too little information from inside to the outside world… [and] … even less information from the outside world is able to penetrate the organisations" (Stiglitz 2002, p. 33). Compounding these injustices is the influence of the World Trade Organisation dictating tarrif reduction and trade barrier removal to the region while the US and European countries heavily subsidise their primary exports (SAPRIN 2001; Groos 1999). Organisation for Economic Co-operation and Development (OECD) countries provide about $1 billion a day in domestic agricultural subsidies; more than six times what they spend on official development assistance for developing countries (UNDP 2002).

Negative implications for democratic governance under this multilateral, transnational hegemony should be lessened in the presence of popular political support for structural adjustment. The historical record is however to the contrary populated by instances where political leaders, elected on a platform of promises opposing neo-liberal reforms, then commit a 180 degree about-face after election. Examples of such reversals cited by Stokes (1995) include Memem's 1989 election in Argentina, Fujimori's 1990 victory in Peru, Borja's 1988 and Durán's 1992 victories in Ecuador, and Paz Estenssoro's 1985 election in Bolivia. More recent evidence presented by Brown & Hunter (1999) indicates that democratically elected politicians from the mid-1990s were more willing to campaign on neo-liberal platforms, disputing earlier theories (Portes & Kincaid 1985) that authoritarianism – as in Pinochet's Chile – was a prerequisite for subjecting society to painful policies associated with market reform.

Democratic transition in Latin America has however been described as 'shallow', 'incomplete' and/or 'unconsolidated' (Rivas 1995; Brown & Hunter 1999; Freres 2000; UNDP 2002; Freedom House 2003). Dependent for survival in a post–authoritarian atmosphere, upon the benevolence of a powerful elite oligarchy and/or an amenable military (World Bank, 2003).O'Donnell (1993) describes Latin American political democracies as 'brown zones' that fail to respond to citizens claims to sovereignty and through historically entrenched corruption are opaque to accountability. Oxhorn & Ducatenzeiler (1998) note the "convergence of many social, economic and political ills – high levels of poverty, income inequality, criminal violence, the growth of the informal sector – in the context of unprecedented levels of political democratisation is a paradox, yet explicable by the structural adjustment model (or the way it is being implicated as per Stiglitz's 2003 criticisms) and the weaknesses of Latin American democracy. Due to their authoritarian legacies the weak new regimes are 'hybrids' (Weffort 1998) which and in the context of both economic crisis and accentuating social inequalities, are delegative of political power rather than representative of societal interests. One factor depressingly common is the "second class citizenship that is the lot of many Latin Americans" (p. 11). To these 'pobres' Boron's nightmarish caricature of a structurally adjusted, minimalist democracy may be all too familiar…

> "A 'minimalist' democracy lacks the wherewithal to confront the great challenges and serious social problems generated by the operation of Latin American capitalism. In it, the unequal privatisation of violence as well as the despair of "save yourself if you can" forced upon defenceless citizens under assault by a savage capitalism give rise to all types of aberrant behaviour, with unequal intensity in several of the new democracies on our continent. The increase in violence and criminality, the social decomposition and the anomie, the crisis and fragmentation of the political parties, the bureaucratic preponderance of the executive, the capitulation of Congress, the emptiness of justice, the corruption of the state apparatus and of civil society, the inefficiency of the state, the isolation of the political class, the impunity toward large-scale criminals and the "heavy handedness" toward small offenders and, last but not least, the resentment and frustration of the masses constitute the syndrome of a democracy reduced to the cold grammar of power and purged of its ethical content" (Boron 1996, p. 303).

PRIVATISATION

Within Williamson's taxonomy of structural adjustment, privatisation has some of the most direct connotations for democracy in Latin America (Biglaiser & Brown 2003). Autonomising public institutions through transfer to private ownership allows a once-off financial windfall which can be used to offset budget deficits or increase surpluses, making debt repayment more achievable. Such institutions then become answerable to their new owners and the priorities of profit, the share market, private banks etc. This fractures the democratic bond to the electorate via government ownership, any link remaining being contractual in nature and often opaque to public scrutiny on the grounds of corporate privacy (Dominguez 1997).

The Inter-American Development Bank is the prime advocate of privatisation in the Latin American region. In "The Privatisation Boom in Latin America" (IADB 2002a) the Bank revealed that during the period 1986 to 1999, 396 sales and transfers of public assets to the private sector occurred representing more than half the value of privatised assets throughout the developing world for that period. 'Big Sellers' congratulated were Bolivia, Peru and Brazil whose auctions netted over 10% of their GDP during this period. Concurrently six other countries, Argentina, El Salvador, Guatemala, Mexico, Venezuela and Colombia, reached a figure of 5% GDP in state asset disposal. The same document (IADB 2002a) acknowledges that profitability and productivity – defined as revenue per worker – were up. Non-delivery of promised private sector job generation is trivialised as "short term only" though poverty and unemployment continue to rise across the region (Edwards 2003). More damningly asset sales have failed to erode debt levels (Latin American Weekly Report (LAWR) 2002). Remaining mystified over the 'Privatisation Paradox' of the policy's unpopularity the Bank quotes surveys that between 60-70% of Latin Americans reject any benefit from public asset sales (IADB 2002b).

State-run corporations and large bureaucracies created through the 1960s and 1970s were undoubtedly inefficient (Rose-Ackerman 1999). However they provided a livelihood for millions who are now either unemployed or in the informal sector (Feeney 2000). State run electricity and sanitation services lost money because they provided subsidised water and power to the poor. Privatised telephone services have improved telecommunications but the benefits do not flow to those unable to afford a phone, the cost of which often grows despite the economic rationalists 'holy grail' of increased market competition (Chasteen 2001). Bungled privatisation in Argentina led to tariffs on essential services of up to ten times in excess of international average rates (Green 2003). Some public enterprises and parastatals had been conceived to fill gaps left by a lack of local entrepreneurship or a dearth of interest by foreign investors. The privatisation of such institutions at a necessarily low price to attract interest created foreign owner monopolies without stimulating the private sector (Fernandez & Mommen 1996). Other public services critical to the population's basic needs such as health care have been privatised at a rate and extent exceeding that of Europe or Canada (The Economist 1999). Change is being endogenously driven by a new generation of politicians, bureaucrats and members of market orientated policy think tanks, who are graduates of North American university's Economics and Management faculties (Green 2003).

Despite claims that privatisation would reduce corruption and clientism within, Correa (2003) found that the early stages of privatisation brought many opportunities for officials to favor certain elite groups, considerably increasing their wealth and assets. That structural adjustment programs through state retrenchment and economic austerity, will impact corruption and patronage networks has been challenged by several social researchers (Dresser 1991; Levitsky 1998; Roberts 1995). Roberts (2003) summarises their findings by stating "the individualised exchanges on which [patron-client] relations are built certainly conform to a neo-liberal social landscape where large-scale collective actors have been notably weakened" (html).

CIVIL SOCIETY

Civil society has been defined as …

> "… the realm of organised social life that is open, voluntary, self-generating, at least partially self – supporting, autonomous from the state, and bound by a legal order or set of shared rules. It is distinct from 'general society' in that it involves citizens acting collectively in the public sphere to express their interests, passions, preferences and ideas" (Diamond 1999, p. 221) .

Civil society has also been described as “one of, if not the, crucial phenomena that takes shape and becomes influential during processes of democratic transition” (Kamrava & Mora 1998, html,). In developing countries with a relatively high level of GDP, for example Brazil and Argentina, civil society tends to be better organised (Brown & Hunter 1999). Urbanisation and higher levels of education typically found in wealthier countries (Lipset 1981) enable societal groups to better pressure the state. Their interests can frequently influence policymaking since even under authoritarianism it difficult to repress these organisations altogether (Brown & Hunter 1999). As Ames (1987) shows, many authoritarian regimes use the Budget as an instrument for increasing support. This can lead to ‘counter-intuitive’ results such as Brown & Hunter (1999) found, “as economic development reaches higher and higher levels, authoritarian regimes begin to overtake democracies in social spending” (html,).

When the 1980s debt crisis began to bite, the power and control of authoritarian regimes began to wane as they struggled to control the process of political change (Harrard & Kaufman 1995). Political space was levered open by a host of grassroots organisations such as Ecclesiastical Base Communities, Mothers of Plaza de Mayo in Argentina, the Movement of the Friends of the Neighbourhood in Brazil, and the Association of Democratic Women in Chile (Chasteen 2001). As Encarnacion (2003) has pointed out more political change is achieved by civil society’s resilient challenge, often in the face of punitive and violent reprisals by the state, than the fuzzy social capital consensus of Putnam’s often cited, “Making Democracy Work” (1993). The Catholic Church, though not democratically constituted, became a powerful actor for change after the 1968 Medellin Bishops Congress adopted an agenda for the poor that emphasised social reform, justice and a stronger stance against human rights violations by the state (Mutchler 1971).

Democratic transition would have been less likely or at least more protracted and violent, without the horizontal linkages from grassroots groups to the Latin American Left (Kamara & Mora 1998). This was only achieved due to a “deep ideological reassessment” by the Left away from the militancy of secular revolutionary rhetoric (Weffort 1989). Embracement of democratic values both removed a fundamental stumbling block to loose coalition with the church and gave re-assurance to fading military regimes who felt safer yielding power (Casteneda 1993). By the beginning of the 1990s, however, Latin American social movements were, on the whole, weaker and more fragmented than they had been a decade earlier. Optimism collapsed, as the movements disintegrated, as their impact on the state subsided, and as their leadership was coopted into mainstream politics once the democratic transitions were well under way (Grugel 2000).

As the process of structural adjustment continued post-democratic transition, the principle resistance that helped to destabilise the prior governments became redirected, ending the political ‘honeymoon’ of new democratic leaders. In many countries anti-privatisation movements began to take shape. Their conception was often sparked by a flashpoint. In Bolivia, protests over privatisation of water forced cancellation of contracts with transnational corporations leading to international lawsuits. Their success prompted even greater mass mobilisations over the sale of the country’s national gas reserves resulting in the resignation of two presidents in as many years, one of whom had to flee the country to exile in the US (Saha 2005). In El Salvador hospital privatisation has split public opinion along political lines drawn in the country’s civil war. In México and Peru riots have been triggered threats to public electricity and telephone services (Kawell 2003).

Development Indicators during the Era of the Dual Transitions 1980-2000

To assess the outcome in terms of human development in the era of the 'dual transitions' in Latin America a summary of data from my essay 'Assess the Progress of the Developing World' is reproduced here as Table 1. [2]

Table 1. Summary of Development Indicator Trends Ten Latin American Countries 1980-2000

INDICATOR	TREND 1980-2000		
Basic Needs			
Life Expectancy			Development
Infant Mortality			Development
Life Choice			
GDP per Capita		Stasis	
Adult illiteracy			Development
Unemployment	Regression		
Inequity			
Income Equity	Regression		
Gender Equity			Development
Freedom			
Political Rights			Development
Civil Liberties		Stasis	
Sustainability			
CO_2 Emissions		Stasis	
GDP per CO_2	Regression		
TOTAL	**3 REGRESSION**	**3 STASIS**	**5 DEVELOPMENT**

Source, 'Assess the Progress of the Developing World'

Development has occurred in five of the eleven indicators but is uneven or absent in all but basic needs. There have been significant development gains in basic literacy but improvements in gender equity were restricted to seven of the ten countries, regressing in Peru, Bolivia and Guatemala, three of the poorest four countries, all with large indigenous populations. Improvements in political rights progressed as a series of falls and rises but the shallowness of the process is evident in the lack of improvement of civil liberties. Political Rights relate closely to the level of electoral participatory democracy whereas the Civil Rights indices are reflective of liberal democratic principles. Unemployment worsened considerably and sustainability (environmental) indicators regressed on balance. Méxican border 'maquiladoras' have become the CO_2 dumping ground for US industry. GDP per capita fell during the 1980s recovered modestly in the early 1990s finishing the millennium no higher than origin. Inequity of income worsened indicating that over the twenty years the poor actually became worse off. This is not a record of human development from which any government, multilateral institution, economist or development practitioner could draw satisfaction (Green 2004).

By the end of the 1990s approximately 43.5% of Latin America's population was poor and nearly 19% was extremely poor or indigent. Recalling Altimir's (1982) estimate of around 25% poor in the mid 1970s gives unnerving insight of the region's progressive socio-economic devastation. Measured in absolute numbers, there were slightly more than 211 million poor people as of 1999, of whom somewhat more than 89 million were below the extreme poverty, or

[2] Raw "Human Development Indicators" figures from the World Development Indicators Compact Disc (WDI CD) (World Bank 2003b) were the primary data source. Income equity data, was sourced from the United Nations University World Institute for Development Research World Income Inequality Database (United Nations University 2004) website. Indices for political rights and civil liberties were downloaded from the Freedom House (2003) website. Data for ten different Latin American countries during the period years 1980-2000 were processed to give trends in individual countries and combined yearly averages of the mean trends across Argentina, Bolivia, Brazil, Colombia, Ecuador, Guatemala, Mexico, Paraguay, Peru and Uruguay. These were averaged to give yearly regional trends. Country selection was based on the inclusion of the three most populous countries of the region – Argentina, Brazil and México – the other seven countries being selected at random.

indigence line (European Commission for Latin America and the Caribbean (ECLAC) 2002). This is up from 136 million in 1980 and 183 million in poverty at the beginning of the 1990s representing increases per decade of 35% and 15% respectively (IADB 1998). By this measure of deprivation the era of the dual transitions has been a disaster. Even indicators that show some improvement such as literacy levels may be making insufficient progress. The World Bank describes the regions labor force as “woefully undereducated and therefore ill-equipped to compete in a world of open trading regimes and liberalised capital markets”. Like income the Bank also finds the gap between those workers with higher and technical education and those with only primary or secondary education has widened markedly (World Bank 2001).

The dilemma of the counterfactuals:

What would have been the status of human development throughout the region at the end of the millennium without one or both of the dual transitions? This is doubly difficult to interpret in the context of the two simultaneous phenomena. There is however evidence that the transition to democracy may have softened the impact of structural adjustment austerity programs on the most vulnerable. In an investigation of seventeen Latin American countries from 1980 to 1992, Brown & Hunter (1999) found that in poor countries, during economic crisis, democracies increase the allocation of resources to social programs relative to authoritarian regimes. Ames (1987) found similarly that heightened electoral competition enhances public spending in a variety of areas, including social programs. Brown & Hunter (1999) caution however that further research is required to determine if such social expenditures are progressive, reaching the poorest of the poor or merely ‘pork barrelling’.

The economic counterfactual requires an even more precautious approach, given the uncertainties of economic forecasting (Stiglitz 2003). Contrary to the views of some neo-liberal practitioners such as Harvard Economics graduate Larry Summers: “The laws of economics, it’s often forgotten, are like the laws of engineering. There is only one set of laws and they work everywhere ” (cited in Green 2003, p. 36). Such hegemonic ‘concreteness’ is a ideological delusion (Stiglitz 2003; Green 2003; Lopez 2003) rather than a "brutal pragmatism" (Rosen 1997). Chilean intellectual Manuel Antonio Garretón (2003) utterly rejects such technocratic approaches …

> The identification of structural adjustment and market mechanisms with a model of society, which rests on the basis of identifying modernity with one historical type of modernisation reducing society to the economy, is one of the historical paths that is proposed to these [Latin American] countries. It is doomed to failure except for some elites, because it does not factor in aspects of identity and collective memory and also because it excludes most people and lacks national social actors to bring it to fruition (p. 19).

Conclusions

Liberal democracy is an inherent contradiction. At its core is an assumption of equality, yet the classic economics definition of ‘liberal’ is the market: an institution to which equality is an anthema. Increasing socio-economic inequities are created by the application of neo-liberal economic policies. Not just between developing and developed countries but also within each (Reynolds 1996). Nowhere is this more apparent than the region under investigation here with Brazil consistently ‘leading’ the world with the highest inequality of income closely followed by a host of other Latin American countries (United Nations University 2004). This inequality has been exaggerated by structural adjustment policies over the last two decades of the 20th century while wealth of the region, in terms of GDP per capita, has stagnated resulting in an increase of millions of people falling into both relative and absolute poverty. Economic inequality produces political inequality (Peeler 2004). Improvements in basic needs – increased life expectancy and reduced infant motality – reflect improvements in women's and household wellbeing. The increased attainment of rudimentary literacy skills are encouraging, if insufficient. Overall though, the era of the dual transitions, of democratic modernisation projected onto the canvas of structural adjustment, has been a failure in terms of human development. Thus Lipset's modernisation ~ democratisation thesis cannot be universalised to Latin America 1980-2000; a period of substantial albeit shallow democratisation, but without equivalent socio-economic gains. The 'N' curve phenomenon is indaequate in addressing the same scenario in Central American or the central Andean coutries, all of which remain below middle income.

During the earlier phases of stabilisation and austerity measures, structural adjustment assisted the democratic transition by helping destabilise authoritarian governments that were struggling under the weight of the debt crisis. These policies were successful in socio-economic terms so far as inflation was cut, often from the astronomic levels which inflict great hardship, to single digit percentages. While governments began to be installed by the pen rather than the sword 'shock therapy' in the form of drastic cuts to social services, health reforms, the privatisation of pensions and essential services, continued in combination with the worlds largest auction of state assets. Access based on income and provision based on profit re-energised civil society actors who battled police and troops on the streets of Buenos Aires, La Paz, Caracas, Quito, Lima and other urban centres of political power. Rural farmers including coca growers ('Cocaleros') marched hundreds of kilometres across mountain ranges to protest the destruction of their livelihoods whether it be from cheap subsidised northern imports or US funded aerial spraying of toxic herbicides. Despite the depoliticisation that occurs when economy is autonomised (Larrain 2000) this polity had mobilised due to their perceived lack of representation in the new, 'shallow', 'incomplete' democracies and the resultant "social exclusion endemic to the new economic model" (Petras 1999; p. 2).

'Democracy with adjectives' represents a transmission of absolute power away from the military but with the reins effectively still held by the rural and urban oligarchy. Persistence of such an oligarchy impedes the emergence of western style democracy according to Barrington Moore (1966). Moreover Carothers (2002) has exploded the assumptions of homogenity, incrementality and lineality within the 'transition paradigm' with a specific focus on the third wave in Latin America. Under the rules of the neo-liberal game, domestic elites share power with the IFIs, the WTO and Transnational Corporations (TNCs) who control policymaking decisions either directly through conditionality or indirectly, by offering or withholding direct foreign investment. This should not be thought of as a conspiracy since all these actors selfish interests collide synergistically, once one recalls the hegemonic influence of the US over the multi-national institutions. It is not coincidental that the neo-liberal policy prescription was written and enacted at a time when the US was seeking new markets abroad, exploring ways to regain economic competitiveness through improved access to inexpensive labour and looking to develop export platforms in Latin America (Smith 2000). The official justification is that these policies are for the regions own medium and long term good. However under scrutiny the pro-democratic, good governance and free trade agendas (World Bank 1997) of the IFIs and WTO re-emerge as both a façade and perjury, deserving fervent condemnation. Democracy can hardly be consolidated in the south when it is being sold out to richen the profits of the north. Sporadic affirmation at the ballot box has seen some actors change but the same neo-liberal script endures. This wretched scenario of late phase capitalism is most congruent with endogenous dependency theory – long discredited from the western developmentalism perspective – particularly when one considers the paucity of inflows of aid and trade (the latter compounded by US and European agricultural subsidies) against the considerable debt repayments flowing in reverse to the north.

Given structural adjustment impedes democratisation the question arises of why transition in the region has been so widespread? One explanation is the change in US foreign policy from openly supporting any government, despotic dictator or military junta that was seen to be anti-Communist to, beginning with the Reagan administration, a growing preference for democratic regimes (Peeler 2004). Such rhetoric is however quickly supplanted when US hegemony is questioned. Populist strongman Hugo Chávez of Venezuela has implemented nationalisation of the oil industry, land reform and social re-distribution policies which are totally contrary to US interests (Guevara 2005). Governments that directly address poverty and equity issues are typical of the type of political leadership that historically the US aggressively attempts to destabilise (Chomsky 1999).

There is an emergent literature expressing considerable doubt as to whether the new democracies of Latin America can survive the contradiction of economic autocracy (Boron 1996; Correa 2003; Hershberg 2003). Continuing along the present path of deepening indebtedness, never-ending recession, plummeting employment and household impoverishment is simply unsustainable. After twenty years the jury is in on the neo-liberal experiment – ‘guilty and insane’. Returning to bureaucratic authoritarianism and import substitution industrialisation is not a contemplatable option. Neo-structuralism is as yet too embryonic a paradigm to constitute an alternative, endogenous development path (Green 2003). The future of the region is teetering on a tight rope; one end grappled over by the diverging interests of the north and south, the other contested between the privileged oligarchy and the ‘pueblo’ seeking social justice. In the background the unrelenting shadow of external debt lengthens.

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