

1 The Political Setting: 'Business as Usual' or a New Departure?

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Elsewhere in this volume, contributions about individual countries or on specific economic topics should help to dispel any notion that the economic problems of the continent are easily diagnosed or, least of all, easily forecast. In the political sphere, however, simplistic ideas – whether about the nature of regimes or of the effect of the international economy on the internal politics of Latin America – continue to flourish. It might, then, be useful to look in general terms at the politics of Latin American countries and to analyse the impact of the world economy on Latin American regimes. The basic theme of this introductory chapter is that analysis of Latin American politics has been bedevilled by false and naive assumptions about the relationship between international economics and internal politics. The world economic recession, and its impact on Latin American politics since the early 1970s, provide ample material for a questioning of those assumptions.

Basically, the usual assumptions are as follows. Many countries in Latin America were formally democratic and had popular governments in the 1960s and 1970s. The Goulart government in Brazil, the Belaúnde government in Peru, the Frei and Allende governments in Chile, and the Radical administration of President Illia in Argentina, as well as the later Peronist government there, were all overthrown by the military after attempting to broaden participation and provide some social and economic advances for the masses. Since the military were the guardians of the interests of the upper classes, and a group whose firm rule would be looked upon with favour by foreign bankers, authoritarian regimes replaced democratic governments in order to preserve the economic *status quo* and keep down wages. The process of incorporation of the masses was thus halted.

These assumptions, although perhaps caricatured here, are, *grosso modo*, shared by a large number of foreign analysts and commentators. A recent

Cambridge University Press

978-0-521-12550-5 - Latin America and the World Recession

Edited by Esperanza Duran

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volume, which arose from a conference held at the London School of Economics,¹ contains a number of papers arguing in traditional terms about the effect of economic changes in ‘metropolitan’ countries on the economies of the ‘periphery’; the points raised include such ingenious variants of the old theme as the suggestion that, given the problems of ‘metropolitan’ economies, the attention given by them to the ‘periphery’ is waning (which explains why metropolitan countries do not nowadays seem to be acting in their own ‘interests’), and the unoriginal notion that, as a result of ‘debtor power’, countries theoretically in thrall to international banks may hold a hitherto unheard-of potential for influence on the world economy.

The pervasive assumption is that Latin American governments, being both peripheral and ‘dependent’, simply act out a script written for them elsewhere. Unacceptable internal change produces an inevitable response: as Carlos Fortín puts it in the same volume, ‘the issue here is the role of increased class polarisation, with the attendant threat to the system leading to an increasingly repressive response’.²

This approach begs a large number of purely economic questions, as a lively essay by Carlos Díaz-Alejandro makes clear.³ Díaz-Alejandro examines the assertion that economic openness in a Latin American country necessarily begets political authoritarianism, and finds the hypothesis wanting. He goes on to suggest that economic performance, at least in the sense of long-term trends, or even macroeconomic performance, was not responsible for the demands for authoritarian rule. What he calls ‘unhinged macroeconomic conditions’ – including three-digit inflation and unsustainable balance-of-payments deficits – helped to create a chaotic climate which in turn paved the way for the men in uniform. Even given the poor long-term performance of such economies as Chile and Uruguay, there is not automatic correlation leading first to chaotic populism and then to murderous authoritarianism. If there were, says Díaz-Alejandro, India – a long-term low-growth economy – might have followed similar paths; but it has not.

One major factor counselling caution in generalizations about military regimes in Latin America is the variation in their economic policies. The Peruvian junta of General Velasco Alvarado ran a closed economy, with a large measure of state intervention; the Chilean economy combined extreme neo-liberalism in economics with the enforcement, by authoritarian means, of a ‘free’ labour market; whereas in Argentina, despite the free-market philosophy espoused by General Videla’s Economy Minister, José Alfredo Martínez de Hoz, in the mid-1970s, pragmatic considerations,

Cambridge University Press

978-0-521-12550-5 - Latin America and the World Recession

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including the need to bargain with the trade union bureaucracy and the size of an entrenched state and military sector with its own protectors or patrons inside the government, meant that many of the 'old' practices persisted.

Yet despite all the economic differences, and differences in time-scale (Brazil 1964, Peru 1968, Argentina 1966 and 1976, Uruguay – with its special variant of *Bordaberrización* – 1972–3, Chile 1973) the rupture, in terms of political institutions, was everywhere brusque and seemed to herald a new era. For the Argentine political scientist Guillermo O'Donnell⁴ the Onganía coup of 1966 in Argentina differed from all previous coups in Argentine history because it represented an attempt to change the political system: the military at that time had no intention of preparing the way for elections but rather to inaugurate a 'bureaucratic-authoritarian' regime. In Brazil a detailed 'doctrine of national security' was worked out by José Alfredo Amaral Gurgel⁵ and refined by a soldier-philosopher, General Golbery do Couto e Silva.⁶ In Argentina the works of Jorge Atencio provided a justification from the world of geopolitics for the belief that only permanent military rule, or, at the very least, permanent military domination of the political system, could provide the necessary conditions for the preservation of national security and the promotion of economic development. (In Chile, General Pinochet himself had written a text on geopolitics.)

The twin themes of security and development taken up by the military regimes mirrored what had been perceived as the failures of democracy. Security was seen to have been imperilled by the penetration into the body politic of alien elements – usually in the form of alleged communists or subversives or their sympathizers. The perceived softness of the Chilean democratic regime towards the blandishments of the Soviet power bloc, in the form of Cuban penetration of the Chilean revolutionary left, introduced both an international and a security element into the picture, and simultaneously provided a form of legitimation for military intervention. Similarly, the fudging of the lines on the left of the Peronist party in Argentina between those upholding the democratic regime and those actively or subterraneously aiding the cause of the Montoneros or urban guerrillas introduced a legitimizing 'national security' factor into domestic politics.

The stress on endangered national security was present in most of the coups being discussed here, and, again, this was a new element. The instigators of coups habitually claim to be intervening to save democracy or the constitution, or to prevent undemocratic elements from taking over the political system, but the post-1964 coups in Latin America stressed the grave dangers facing the nation from *outside*, publicly at least, rather more than the internal political threats.

Cambridge University Press

978-0-521-12550-5 - Latin America and the World Recession

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In Brazil, in the highly developed theories of General Golbery, or in Chile, where military law was used against Marxists on the grounds that Marxists were the ideological servants of an enemy power (the Soviet Union) and therefore ‘enemy agents’, the concept of national security was taken to great lengths. The nation was being eaten away: only the institution of the military stood between the nation and chaos. The presence of communists among the groups of those held responsible for bringing the nation to such a pass helped in some cases, of course, to legitimize the intervention in the eyes of the world outside. Internal political battles could be given global significance if it could be argued that national security was in danger both from inside and from outside intervention. Amid atmospheres of extreme insecurity the military came in pledged not only to end the insecurity but also to eradicate its causes. ‘Democracy’ therefore became indefensible: on the contrary, in the Chilean/Argentine/Uruguayan case, democratic institutions had been abused and distorted by rascals, according to the military.

Economic policy as such never figured prominently in the initial statements of the coup-makers. A fourteen-point statement put out by the Chilean Junta shortly after the coup stressed the fact that fundamental rights had been under attack by the Allende administration: it also stressed the ‘moral and economic collapse’ of Chile, and spoke of ‘inflation and the paralysis of trade, industry and agriculture’.⁷

The Junta’s own *Declaración de Principios*, published in March 1974, described Chile as a developing country caught up in the cold war, which had chosen one of two antagonistic paths: the Junta had chosen the ‘Christian concept’ of man, putting him above the state and defining him as a ‘spiritual being’. A pro-Junta account of the coup attacked the minister responsible for the economic policy of the Allende government, Pedro Vuskovic, as someone whose aim had been ‘the destruction of the capitalist economy in order to build a “new order” on its ruins’. In the 1976 coup of General Videla in Argentina, the elimination of subversion had figured with the eradication of corruption as the major objectives of the ‘process of national reconstruction’. General Golbery’s theories in Brazil stressed the need for economic development: the nation should take control of the major areas of the economy in order to establish national development goals. The post-coup governments in Brazil, Argentina and Chile were all in theory committed to the free-market economy, though (as chapters elsewhere in this volume make clear) with varying degrees of rigour in their adherence to the free-market in practice.

In economics, as in politics, the conviction was that something had

Cambridge University Press

978-0-521-12550-5 - Latin America and the World Recession

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broken down. Clientelism, corrupt trade unionism, privileges for officials and elected representatives, distortions in the economy by economic demagoguery: the general feeling was that matters were out of hand. No doubt also intelligence reports about the private lives of senior politicians – and, in particular, their financial affairs – helped to create, among the senior military, the conviction that such people could not be relied upon to defend the nation should a real crisis of national security ensue.

Inflation was ‘corroding’ the system: there was a pervasive undermining of integrity by corruption. In Chile there was a Marxist ‘cancer’ to be ‘extirpated’ or extinguished by the use of ‘antibodies’ (counter-terrorism) if necessary. The metaphors of insecurity proliferated.

But what was it that had broken down? Despite the pretensions of General Onganía, Argentine democracy did not come to an end for ever in 1966: but what exactly died with Salvador Allende on 11 September 1973? No understanding of the apparent crisis of ‘bureaucratic-authoritarian’ states today can advance unless we clarify exactly what happened on their enthronement: is an interrupted process being resumed as democratic governments, like that of President Alfonsín in Argentina, are elected to replace the military juntas? Or was there an interruption of the regime, when the military wrought their coups, so that the return of democracy takes place in a new context?

It was pseudo-democracy which came to an end in the military-ruled countries. In Peru, Julio Cotler argues,⁸ the coup in 1968 forced through reforms which the elected reformist government had been prevented from carrying out, and acted thus as a guarantor of a stability which might have been in danger had hard-line conservatives stood in the way of the reforms. Congress had opposed some of the measures which Belaúnde thought essential to deal with the country’s economic problems: tax reform, industrial and agrarian reform, and a system of economic planning. Because, Cotler argues, the intransigence of Congress and those whose interests it represented threatened social cohesion, the military in effect – though without mobilizing the population and without popular participation – carried out the programme to which the *Acción Popular* government had been pledged. For Cotler the key to understanding the role of the military in the Peruvian case is to be found both in the armed forces’ perception that the way to preserve internal security lay with the reformists and in the fact that reforms brought in by the armed forces would be technocratic in character, without any risk that mass mobilization might occur and get out of hand.

Whether these underlying causes advanced by Cotler are satisfying or

Cambridge University Press

978-0-521-12550-5 - Latin America and the World Recession

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not, the important point about the Peruvian coup was the conviction that the government had become ineffective. The fear of mass mobilization, whether or not it had any basis in reality (and one suspects that Cotler's attempt to rationalize the position of the armed forces derives from his perception that some circles in his country perceived a 'danger' of mass mobilization, rather than from any independent observation that such an event was probable) illustrates the loss of faith in the democratic process. Whether one views the problem as purely technical (a president locked in battle with Congress) or as deeper and more structural (the oligarchy opposing reformist policies) the fact remains that the political system appeared incapable of moving forward to solve it. It had, in fact, become divorced from the power base which it ought to have had either through its control of economic policy, or because of the authority linked with its office. But the political system ceased to behave as though it controlled events, and appeared to be an irrelevant talking-shop divorced from power.

At first sight the situation in Chile in 1973 seems totally different. There, one is told, the reformist government was opposed by a violent right-wing military regime bent on 'reactionary' economic policies. The Allende administration had embarked on a programme of agrarian reform, income distribution and price control, and had begun an ambitious programme of structural change in the economy. Some of these programmes were undoubtedly effective in incorporating into Chilean society – for the first time – some groups which had until then been virtually excluded from economic or political participation; but these socialist policies also brought other effects in their wake. As the Inter-American Development Bank reported,⁹

In the first nine months of 1973, Chile was plagued by runaway inflation, a reduction in the supply of goods, a widespread black market, a decline in real income, an increasing fiscal deficit in the public sector – including the enterprises of the Area of Social and Mixed Ownership (APSM) – a critical situation in the balance of payments, negative net international reserves and the virtual suspension of external debt-servicing payments.

Politics in Chile in 1973 were highly polarized ideologically, and imported rhetoric – whether the rhetoric of Marxist revolution or of European reaction – flourished: and no doubt some blame for a part of Chile's international financial plight at that time can be laid at the door of those governments and individuals which went out of their way to be as unhelpful as possible to Allende's socialist experiment. But, as in Peru five years earlier, the overwhelming sensation was that matters were not under the control of the elected government. Either, it was thought, extremists

Cambridge University Press

978-0-521-12550-5 - Latin America and the World Recession

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had taken charge within the government, or else foreign governments opposed to political and economic freedom were fast gaining in influence. All of the factors reported by the Inter-American Development Bank contributed to an overwhelming sense of chaos and despair. The violent nature of the reaction can be explained by the fact that, in the Chilean case, the internal security aspect of the general sense of chaos took on an international and geopolitical dimension. The armed forces gave legitimacy to their intervention, and endowed it with its special virulence, by linking the internal chaos with sinister external forces in a potent mixture of right-wing nationalism and old-style extreme anti-communism. Whether there ever was any possibility of geopolitical change in Chile is doubtful, given the country's geography and above all the length of its coast and its land frontiers, not to mention its distance from the Soviet Union. There must be few countries whose economy and defence it would be more difficult for the Soviet Union to control. But that hardly matters. The opinion-forming classes in Chile have long believed their country to be European in everything but its geography, and the fear of a Soviet communist take-over was a powerful reality. Conversely, Chile's socialist intellectuals used the language of European revolution, and made much of European socialist concepts of class war.

When asked whether he minded being called 'Excellency', Allende replied, 'I am not just another president, but the first president of a popular, national, revolutionary government which is opening the road to socialism. Moreover, I am not His Excellency the President of the Republic, I am comrade president.'¹⁰ Such statements may, in retrospect, seem trivial and demagogic, but, given the insecurity of the middle classes in Chile under Allende, they serve to accentuate the sense of doom and threat to the established order. Allende's alleged statement, 'I am *not* the President of all Chileans' is still quoted by the middle-class Chileans as one of their late president's more shocking and outrageous statements: discussions were frequently broadcast in which left-wing militants denounced the 'farce' of 'bourgeois legality' and it is clear that, as 1973 drew on, fear and insecurity changed into hatred and panic. Both sides claimed that external forces were intervening: the Allende government claimed that anti-government strikes were backed by the CIA and ITT. The virulent nature of the reaction can thus be explained by the insecurity generated by the actions and inflamed by the political language used under the previous regime. The rhetoric of the 'world's first elected Marxist president' leads inexorably to the repression and the authoritarianism. But the focus of analysis should be the underlying causes of the ending of the democratic regime itself, rather than the fate of

Cambridge University Press

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the socialist experiment and the personal tragedy of Allende. But did the Allende government have a clear and serious view of how their revolution would proceed? So much of Allende's time seems to have been spent coping with the ultra-left and its pressures that it sometimes appears that more highly disciplined and dogmatic groups had found an ideological vacuum in the administration, and sought to fill it. Politics had become an obsession in itself rather than a question of how the country was to be governed. The sense of chaos and confusion was exacerbated by rhetoric, the heat of which seems to have increased in direct proportion to the inability of the political leaders to find solutions to the country's economic problems. The failure of left-wing propaganda to produce the type of responses which the left had predicted caused bitterness, and therefore set the scene for the creation of right-wing or 'imperialist' scapegoats to intervene and upset the process: and it also encouraged and inflamed the rhetoric of counter-revolution. Scapegoats on both sides helped to disguise the fact that the political system could not, apparently, produce the goods which those who worked within it had promised. The political system became detached from the levers of real power, particularly in the economic sphere, as money moved abroad and international bankers and the United States administration began their boycott of the socialist economy. The rhetoric increased, producing not merely what it had promised, but social collapse. The fault was not solely that of the socialists, but of a political system which had grown apart from the society which it sought to serve.

The Argentine coup of 1976 took place in similar structural conditions. Following the death in 1974 of President Perón, Argentina had been ruled by his widow, Isabel Martínez de Perón, and while populist rhetoric had continued – consonant with Peronism's portrayal of itself as the embodiment of Argentine national and working-class aspirations – the reality was rather different. Power passed to a right-wing clique who held influence over the president, and economic policies became more and more conservative, while repression of the revolutionary Montonero group within the Peronist party was stepped up. The scenario was therefore one of increasing bitterness and alienation among the government's supporters, bewilderment and insecurity among the middle classes and hostility among businessmen and bankers who failed to see that the government was in fact carrying out the type of policies which they had advocated. As in the Chilean case, there was a divorce between the language of politics and what happened (or failed to happen): and important sectors of the population therefore supported the military coup.

The government of Isabel Perón and of her astrologer/adviser José López

Cambridge University Press

978-0-521-12550-5 - Latin America and the World Recession

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Rega was, then, quite different in outlook from that of Allende in Chile. It was in no way socialist and represented no threat to 'bourgeois' interests. Indeed, the Peronist government, certainly following the death of President Perón in 1974 and the ascent of López Rega and his clique, was right-wing both in its general economic outlook and in its attitude towards internal security. There were no plans, even in blueprint, for massive extensions of public ownership or massive agrarian reform: and although there was a shift, in external trade policy, towards large barter deals with Soviet bloc countries, no plausible case could be made out that Argentina was about to undergo a geopolitical transformation. There was, however, a pervasive sense of chaos amid what Díaz-Alejandro would call 'unhinged macro-economic conditions',¹¹ and there was a rise in the level of rhetoric, particularly about revolution, as guerrilla groups, with a penetration deep inside the official Peronist party, called for the overthrow of the discredited, 'rotten', system. With galloping inflation, the sense of impending collapse brought the military and their supporters (who were very numerous in early 1976) to the conclusion that a new start was necessary.

Argentine politics have always been more *sui generis* than Chilean politics: the Chileans have always conducted their political discourse in European terms. Virtually every major political party in Chile claims close affinity with one of the European political party 'families'. For all its apparently uniquely Argentine character, Peronism, once defined as working-class-based fascism by Seymour Martin Lipset,¹² was invented by Perón after he had spent a period in Mussolini's Italy.

Uruguay, for its part, was happy to be described, until the collapse of democratic institutions there in the early 1970s, as the 'Switzerland' of Latin America. These imported political models merely complicate the pre-coup picture. Political elites in the Southern Cone – whether of the right, left or centre – have always spoken the political language of Europe, and in particular of Latin Europe. It could even be argued that Latin American political elites have become alienated from their own environment, with political systems which have adopted European models and have become divorced from conditions inside the country. In Chile the Allende government's claim to be the first ever elected 'Marxist' government, has been matched by the belief, widely disseminated abroad by exiles after the 1973 coup, that the Pinochet regime was a world-breaker in brutality and arbitrariness, and by the Pinochet regime's successful recruitment to its cause of neo-liberal economists from North America and Europe anxious to see their views embodied in an economic policy.

Differences in the political histories of the various countries – Peru with

Cambridge University Press

978-0-521-12550-5 - Latin America and the World Recession

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its tradition of oligarchic rule, often bolstered by military dictators; Chile with its interrupted democratic record (with the Junta thus represented as a terrible departure from tradition); and Argentina with its almost institutionalized conservative coups – should not blind us to the similarities of what followed. The military regimes, whether ‘progressive’ like the Peruvian military government under Velasco Alvarado, conservative like the Argentine post-1976 government of General Videla, or right-wing and neo-Franquist like the Pinochet junta, all embarked on conservative economic policies. As other chapters in this volume make clear, all three military juntas seemed well placed, in the world economy that developed after the oil price rise in 1973, to receive dollar loans. They all followed experiments in democracy variously characterized as weak or extremist: all seemed to be formed by people international bankers could deal with.

What is more, in terms of international relations all three juntas were welcomed by the West. True, the Peruvian junta edged its way towards Moscow (and spent some of the hard currency it borrowed on Soviet arms and equipment); and the human rights records in both Argentina and Chile caused the United States, particularly under the Carter administration, to exert various pressures at various times, including arms embargoes. But the recycling of petrodollars to Latin American countries, and particularly to the military-ruled countries, was welcomed by Western governments. For them the recycling operation was a success, and a tribute to the efficacy of Western financial institutions.

But the juntas, and the reaction to them of most Western governments, were based on a mis-diagnosis of the defects of what had gone before. The basic problem did not lie with the policies of the previous regimes, such as socialism in Chile, or the Allende government’s attempt to align Chile internationally with the Soviet bloc: it was definitely not a question of a threat from the revolutionary left (the Montoneros in Argentina or the Tupamaros in Uruguay never had significant support in the population, although their terrorist activities caused considerable disruption and were often spectacular). The problem was the inability of political regimes based on competition between political parties and on elections to produce leaders who were themselves capable of working within a democratic framework and of setting the parameters of democratic discourse. As Dr Raúl Alfonsín himself put it in a speech at Castro Barros, Buenos Aires, in July 1982, ‘We saw democracy as a competition for votes rather than as a way of life.’¹³ Democracy had not delivered the goods, particularly to the poorest sections of the community. Alfonsín clearly saw the military interlude as part and parcel of the old process, and looked to the return to