
REVIEW ESSAYS

PARTICIPATION, VIOLENCE, AND DEVELOPMENT IN FOUR ANDEAN COUNTRIES

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REFORMING CHILE: CULTURAL POLITICS, NATIONALISM, AND THE RISE OF THE MIDDLE CLASS. By Patrick Barr-Melej (Chapel Hill: The University of North Carolina Press, 2001. Pp. 288. \$49.95 cloth, \$19.95 paper.)

MODERNIZATION IN COLOMBIA: THE LAUREANO GOMEZ YEARS, 1989–1965. By James D. Henderson (Gainesville: University of Florida Press, 2001. Pp. 508. \$55.00 cloth.)

THE UNIDAD POPULAR AND THE PINOCHET DICTATORSHIP: A POLITICAL ECONOMY ANALYSIS. By Patricio Meller. (New York: Palgrave, 2000. Pp. 222. \$69.95 cloth.)

SEARCHING FOR A BETTER SOCIETY: THE PERUVIAN ECONOMY FROM 1950. By John Sheahan. (University Park: The Pennsylvania State University Press, 1999. Pp. 211. \$60.50 cloth, \$20.95 paper.)

TOWARDS DEMOCRATIC VIABILITY: THE BOLIVIAN EXPERIENCE. Edited by John Crabtree and Laurence Whitehead (New York: Palgrave, 2000. Pp. 240. \$68.00 cloth.)

TEETERING ON THE RIM: GLOBAL RESTRUCTURING, DAILY LIFE, AND THE ARMED RETREAT OF THE BOLIVIAN STATE. By Lesley Gill. (New York: Columbia University Press, 2000. Pp. 222. \$49.50 cloth, \$18.00 paper.)

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ECONOMIC REFORMS IN CHILE: FROM DICTATORSHIP TO DEMOCRACY.

By Ricardo Ffrench-Davis. (Ann Arbor: The University of Michigan Press, 2002. Pp. 263. \$60.00 cloth.)

CAPITALISMO Y SOLIDARIDAD: UNA EXPERIENCIA EMPRESARIAL COOPERATIVA. By Enrique Ogliastri and Patricia Camacho (Bogotá, Colombia: Editores Tercer Mundo S.A., 2000. Pp. 238. N.p.)

The present is not the happiest time for stocktaking in Latin America, at least from an economic perspective. Of the four Andean countries represented in this review (Bolivia, Chile, Colombia, and Peru), only Chile has performed well over the last decade. The group is, in that respect, fairly representative of the region since, although better than the 1980s, the 1990s were a far cry from the region's (most recent) golden era from the end of the Second World War to 1980. From a political perspective the balance looks better, with all four countries in the "democratic" column, as is virtually the whole of the region. In terms of social tranquility, Chile is again the only one to which one could attach the term "success" at this point, and it emerged from a nasty dictatorship only in 1989. But, if the long sweep of the twentieth century is a guide, the future may be kinder than the recent past. The books reviewed here, covering varying periods throughout the century, address many of the great issues of twentieth-century development in Latin America as seen by social scientists and historians.

Latin America achieved significant economic development over the twentieth century and the latter part of the nineteenth. Angus Maddison's (2001) summary figures reveal that the region has outgrown the world as a whole over the period since 1870, with per capita gross domestic product (GDP) having increased by a factor of 8.3 (to 1998), as compared with 6.6 times for the world and 10.8 for a group composed of the United States, Canada, Australia, and New Zealand. Latin America's regional growth spurt began around 1870 and ended around 1980. Life expectancy has about doubled since 1900, from 35 to 69 years. By this measure of welfare, Latin America has been slightly above the world average for the last hundred years.

The process of rising per capita income has several highly predictable correlates: most notable is the shifting of employment from primary activities (agriculture) to secondary (manufacturing) and finally to tertiary (services). This shift moves people from rural areas involved in agriculture to urban areas where they pursue other activities. It also entails new social groupings, in particular the urban proletariat and the urban middle class. How smoothly this set of interrelated transitions takes place has major implications. Whether such change is mainly "for the better" or whether much is lost even as the economy

“progresses” depends in part on what happens in the other spheres of life: on how the political process resolves conflicts and charts the future course of the country; how nation building takes place; and how the elements of “community” and “sharing” evolve, disappear, and change over time. All this, one might say, defines the changing life of the nation and of its citizens.

Most Latin American countries have historically had two strong, interrelated, yet still partially distinct cleavages—ethnic and class. In some cases regional divisions are also important. Nation building is not an easy task when the bonds that unite people are weak, when the nation is young, and when the elite is plagued by a sense of inferiority vis-à-vis someone else (in this case, Europe). In Colombia, Bolivia, and Peru all of these cleavages and tendencies have been obvious. But even in Chile, class divisions and the elite’s awe of things European were enough to concern leaders and would-be nation builders and spur them to very conscious efforts to improve the “bonding.” Wars and mythologizing over current and past conflicts were an obvious element of the recipe in Peru, Colombia, and Chile; it was more problematic in Bolivia since the country was generally unsuccessful in its international conflicts.

Political participation tended to both broaden and deepen in Latin America over the twentieth century. Chile’s relatively stable and low-fraud electoral democracy began the century with a very narrow participating electorate of under 9 percent of the voting age population (Meller 2000, 17) that gradually expanded to 87 percent in 1989. The initially exclusive electorate meant that social tensions would not be resolved directly at the ballot box. Colombia’s stable two-party system also left real power in the hands of the narrow socioeconomic elite that provided the leaders of the two multi-class parties, both of which were (in differing degree) conservative on economic and social matters. Poor rural voters followed the political lead of their landlords. Although providing stability on class-related issues, this system proved prone to fraud and sectarian violence around the transfer of power. Peru and Bolivia exemplify relatively unstable and exclusionary systems with low-quality governments and poor economic performance. In Peru the continuing exclusion of the indigenous people contributed to the rise in the 1980s of the extremely dangerous and damaging Sendero Luminoso.

The great debates on economic policy in Latin America have closely reflected those of the greater world. Nineteenth-century liberalism provided the challenge to earlier statist ideas, which were strong in the Iberian empires. In the first half of the twentieth century the region’s import-substituting industrialization (ISI) strategy, built substantially around regional thinking in which the Argentine Raúl Prebisch played

a major role, was in the time-honored tradition of protectionism by late-comers.¹ The learning-by-doing argument for protection has always had a good deal of attraction; no countries of normal structural diversity (this excludes the city-states of Hong Kong and Singapore) have ever developed a strong industrial base without substantial protection. This does not prove it cannot be done, but simply reflects the historical universality of country decision making in the early stages of industrialization. The specific argument espoused in the Latin thinking, apart from the general merits of infant-industry protection, was that the long-run terms of trade were shifting secularly against primary exports, so the primary exporting model would provide a less and less adequate base for growth and development (Prebisch 1950; Singer 1964). This proposition turned out to be of only partial validity, true for some groups of products over some periods but not a very robust generalization. The next major policy change was the neoliberal market-friendly reforms associated with the Washington Consensus of the 1980s and 1990s. This model also has proven to have many flaws, and growth in Latin America has not yet approached its level of the ISI years.

The extreme inequality of most Latin American countries has probably contributed to the limited study of the rise of the middle classes and to the lack of consensus around views such as those of John Johnson, the first foreign scholar to identify important middle sectors that executed far-reaching progressive agendas based on democratization and inclusion (Barr-Melej 2001, 12). The competing view, expressed strongly by Fredrick Pike, was that these groups were just an appendage of the elite, lacked their own cultural attributes, and shared the elite's opprobrium of the lower classes. Such skepticism was shared by a generation of Latin American Marxist scholars who were influenced by the dependency paradigm and saw social revolution as the only way to achieve significant social change. Barr-Melej's study presents a detailed and persuasive case for the pivotal role of the rising middle class "mesocracy" in Chile, both through its dominant impact on literary culture and public education and through its reformist, middle-of-the-road, and increasingly influential position within Chilean politics. The "radical" liberals, founded in the mid-nineteenth century, became the dominant interest group in national affairs by the end of the 1930s. Reformers came to wield considerable power in the area of cultural production, facilitated by the limited interest in domestic culture shown by the aristocrats. Public education became their nearly exclusive domain by the second decade of the twentieth century, by controlling the educational

1. The traditional view that British policy was an exception to this generalization has recently been critiqued by Chang (2002) who points to the high degree of protection provided by that country as it established its early industrial lead.

bureaucracy and the teaching profession. Through literature and education, as well as the content of public debate, liberals widely circulated their hopes, fears, and ideas about class conflict; social solidarity; liberal democracy; the “social question” posed by deplorable working conditions on farms, in mines, and in the major cities; and working-class radicalism. In the face of the usual lack of upper-class responsiveness to such concerns, the middle class felt impelled to take matters into its own hands to avoid the violence it foresaw as the consequence of inaction.

Barr-Melej shares Gramsci’s view of class as an independently relevant aspect of society and its evolution (in contrast to Marx’s view) and of culture as a key element not only of class but of hegemony. Hence, significant shifts in the style, content, and function of Chilean literature at the end of the nineteenth century were important as new markets and cultural conditions extended the readership, and content focus shifted away from the elites and also brought lower-class Chileans (especially *huasos* or cowboys) into the cultural and national limelight. The late nineteenth and early twentieth centuries also saw a major expansion of education; in 1920 the reformers finally succeeded in passing a universal law of obligatory primary education, historically opposed by conservatives with ties to the Church. The content of education was clearly and carefully designed to promote moderate middle-class views, liberal democracy, nationalism, and social harmony. Meanwhile, suffrage was gradually widened to include more and more of the middle social and economic ranks and eventually the lower classes and women.

Such processes are never smooth, but an observer could well be impressed by the success achieved by Chile’s evolving political process through most of the twentieth century: a system that allowed the transfer of power without violence, a good rate of economic growth, and major improvements in welfare; that promoted inequality somewhat less than most other countries of Latin America, and a generally literate public. Barr-Melej’s detailed and engaging treatment makes a convincing case that the secrets of this relative success lie with the middle class, its long-term political strategy, and its leaders.

In light of that history, thousands of Chileans and non-Chileans alike have asked the questions which Patricio Meller addresses in his volume. Why Allende? Why Pinochet? Why did Chile, of all countries, fall victim to the extreme polarization and political violence that turned it into “two Chiles”? To come up with answers, Meller takes us back to the nineteenth century and the first two decades of the twentieth, when the oligarchy dominated politics with a typically genteel style and important decisions were made in the social clubs. Although 1891 did see 10,000 people die in a civil war, and there were periodic protests and

unrest within the lower classes, the contending political parties had much in common and were able to establish a tradition of orderly and regular transfer of power (Meller 2000, 11). Only after this period did the ratio of voters to voting age population exceed 10 percent (*ibid.*, 17). Dating back to 1938 and Chile's new constitution, however, the middle class became the main political actor, with the Christian Democrats eventually superseding the Radicals as the main vehicle of that class. Modernization proceeded apace, but from mid-century onward, disillusionment with the industrialization model selected by middle-class governments to solve the country's social and economic challenges set in (*ibid.*, 9). Meller judges that since 1920 there had been a growing imbalance between the gradual incorporation of new groups into the political process and their modest economic advance.

In this context of rising expectations and, what was by mid-century, a relatively open political system with a tradition of respect for electoral outcomes, the Unidad Popular coalition of left of center parties was able to win power with just 36 percent of votes cast (corresponding to 20.5 percent of the voting-age population). Its politically radical policies were viewed with special concern by other parts of the political spectrum and by foreign powers (especially the United States) due to the Cold War and the fairly recent Cuban Revolution. The coalition's economic policies contributed to mounting pressures for its overthrow (see below). The UP rhetoric and some of its actions suggested a march to proletarian dictatorship; in this context a military coup was supported by a clear majority of the people, but was expected to be short and clean with a quick return to democracy (*ibid.*, 62). The military, historically not given to intervention (the Ibáñez military dictatorship of the late 1920s was the only example since Independence), had nevertheless retained a sense of its importance to the nation as a moral bulwark. Meller presents an interesting discussion of how the economic technocrats and the military (who also considered themselves technocrats) worked together, both seeing their task as the salvation of Chile (*ibid.*, 84). Whatever the technical quality of the policies put into place (to which I return below) the degrees of freedom for policy-makers were great. Various technocrats concurred that they "could not have done a fifth of what they did under a democratic government" (*ibid.*, 85).

Although Chile's twentieth century saw only one repressive government with its associated toll of deaths, Colombia, Peru, and Bolivia experienced more than their share of turbulent times. In Colombia's case the century was punctuated by several bursts of sectarian violence. In his volume James Henderson tells the story of a fiery traditionalist who wages war with rapidly encroaching modernization. The darker side of this experience, including "La Violencia" of the 1940s–1950s and the current wave of violence, are well known and variously interpreted.

Henderson's thorough and thought-provoking study of Colombia over the period covered by the life of Laureano Gómez emphasizes the speed of modernization and growth in the early twentieth century; the rapid expansion of the middle class, especially the rural middle class associated with coffee production; the violent political clashes between the two traditional parties—Liberals and Conservatives; and the ability of the leaders during most of this period to guide the economy along a stable path in spite of the political turmoil. He shares the view with many that "Colombia's history is the hemisphere's most confounding," judging that "its transition to modernity has been the most abrupt" (Henderson 2001, xiii), and contrasts the complexity of the twentieth century with the limited change over the previous three centuries. Rapid integration into the global market economy via coffee in the first third of the twentieth century brought with it a mobile and acquisitive society whose chief feature was an aggressive rural middle class (*ibid.*, xiv). Gómez, schooled in the tradition of political polemic shaped intellectually by militant Spanish Jesuits, became the greatest orator of his time and a crusader for religiously orthodox approaches to national affairs. The conflictual style of Colombian politics that he personified fed the pattern of violence, and Gómez therefore shares a substantial burden of guilt on that account. Henderson is interested in the apparent irony of the fact that, despite the turmoil, Colombia progressed rapidly economically, a striking contrast with both Peru and Bolivia.

Gómez was born during the Núñez "Restoration" of the 1880s, which came in reaction to the liberalism of the mid-nineteenth century and its social excesses as seen by conservatives (such as 1876 legislation promoting sectarian education) as well as the failure of free trade to give Colombia the same economic boost it gave to Argentina or Canada. But the Restoration's bipartisan character was anathema to the traditional party stalwarts such as Gómez, and rising tensions led to the Thousand Days War at the turn of the century. At its end Colombia hit bottom; the country fought a fierce civil war, lost Panama, defaulted on its international debt and hence lost access to credit, and saw its people pushed further into poverty. It was the world's most leprous nation. Life expectancy was around thirty years and infant mortality in Bogotá stood at 25 percent (*ibid.*, 49). In spite of all this, many Colombians felt the country only needed to have the right leadership in order to emulate the advance of other Latin countries and ultimately of the industrial world. Recovery did begin during the post-war dictatorship of General Rafael Reyes but when he offended too many important people and warmed up too much to the United States, student demonstrations (with Gómez as one of their leaders) erupted, and soon thereafter Reyes left the country on a United Fruit Company boat. Colombia's traditional political system showed then, and again in the 1950s with General

Gustavo Rojas Pinilla, that dictator-style figures could be invited to leave as quickly as they take power.

The next half-century saw great economic advances as the coffee sector burgeoned, major investments were made in transportation and later in education, and modern industry grew out of artisanry to become a significant motor for growth. Henderson attributes the persistence of this growth through two main episodes of violence to a stable, developmentalist economic strategy, which tended to be pursued, albeit with differences of detail, by nearly all the governments of the period. Meanwhile the rural middle class, engaged in the coffee industry, grew apace and became increasingly modern in its tastes and consumption patterns. The arrival of cash income and the impersonality that it imbued to economic transactions helped to destroy traditional social relations. Henderson sees this change as occurring overnight, as workers suddenly found themselves in a sellers' market. Peasants lost the deference on which earlier visitors to Colombia had so frequently commented; it was replaced by an "inner independence" and the rational mentality of someone with the goal of getting ahead. Whereas in the past the powerful had their way with the weak now there was more resistance.

By the 1930s the Liberal Party under Alfonso López Pumarejo responded to peasant unrest and working-class mobilization by trying to head off the threats from below. Land Law 200 of 1936, a serious agrarian reform initiative, which tragically fell short of stabilizing rural society, was the high point of López's reform moves. Gómez led the opposition to what, *ex post facto*, turned out to be a rather modest step to decrease rural inequalities.

Colombia's political system produced a good deal of stability but not much tranquility. Among its defining characteristics were (1) two multi-class parties dominated by an elite with much influence over the underlings, (2) originally strong party differences on church-state and other issues of social policy, and (3) the use of irregularities by the party in power (such as intimidation) to stay there. Thus, transfer of power occurred only when the ruling party suffered a split, as the Conservatives did in 1930 and the Liberals in 1946; when it did occur it was accompanied by much violence, related among other things to the frequent feeling on the part of the losers that it was illegitimate. The Liberal victory in 1930 and the later presidency of López (1934–38) were thus viewed with horror by many conservatives such as Gómez. The Conservative victory in 1946, when the Liberals were clearly the majority party, set the stage for a huge wave of violence, of which the assassination of the populist (by Colombian standards) leader Jorge Gaitán was the main single event. Leaders such as Gómez, who took over as president in 1950, only fanned the flames of partisanship and violence,

convinced as he and some associates (not to mention U.S. officials) were that by then the country faced a communist threat. His divisive and tragic impact on the Colombian polity was duly symbolized by the fact that it was he and Alberto Lleras, who had to sign the agreement on the bipartisan National Front (which did bring the violence under control); on the outside of such an agreement, he might have torpedoed it.

Like Barr-Melej, Henderson emphasizes the role of the middle classes, adding the perspective that Colombia's economic elite had middle-class roots and attitudes towards work, even though its views of the poor tended to be based on classic upper-class biases. If any group is likely to both embody and encourage a degree of toleration and willingness to compromise, it is arguably those perceptive members of the middle class who, as an ascendant group that mounts an early challenge on the traditional elite's monopoly of power, is a participant in the process of change and wishes to guide that change. With a modern world view (at least relative to that of the traditional elite), it becomes aware of the threat posed by revolutionary impulses among the lower classes. As the story in Chile so clearly reveals, this class can bring a highly organized approach to the pursuit of social and political stability and peace. Colombia's middle-class elite played many stabilizing roles as well and contributed many progressive ideas to the political debate but, within the straitjacket of Colombia's two-party system and the associated allegiances, was ultimately unable to steer the country peacefully through the shoals of rapid twentieth-century development. An impressive amount of development did occur, but at great cost. In an initially authoritarian society not given to tolerance, religious or other, and with people such as Laureano Gómez who personified the strongly held views of that ideology and a dramatic and violence-inducing political style, the task of adjusting social change to a rapidly evolving economy and world was destined to be very difficult.

In *Searching for a Better Society: The Peruvian Economy from 1950*, John Sheahan presents a balanced review of the troubled evolution of the Peruvian economy over the last half century. It is mainly a history of missed opportunities for growth and poverty reduction, due to a policy pattern characterized by both instability and below-average competence in design and implementation. As in so many countries, the effective channeling of pressures for socio-economic reform ran afoul of institutions, personalities, and rivalries. The 1930s saw the first major challenge from the Left; though Víctor Raúl Haya de la Torre's newly founded Alianza Popular Revolucionaria Americana (APRA) party survived the period, it later worked against other reformist movements and eventually became a conservative force helping to block reforms in the 1960s. The country was thus left with no opening for the kind of state-led change occurring elsewhere at mid-century. Failure to

implement a sensible land reform in the 1960s under Fernando Belaúnde's first presidency was a second missed opportunity. In this case a coalition between the landowners and APRA—against a backdrop involving available U.S. Agency for International Development (USAID) funds which, unfortunately, were contingent on the country's acceptance of foreign investment—became a very charged issue at the time. Though the reformist wing of the military (under General Juan Velasco) that deposed Belaúnde initiated the sort of reform Haya de la Torre had promised forty years before, it was badly designed (with a focus on creating cooperatives rather than small individual farms) and ultimately much less beneficial than it could have been.

On the trade-industrial policy side, Peru clung to the primary export model longer than any other major Latin American country. The early post-war conservative governments favored the market, trade, and foreign investment. Yet as they presided over a fast growth period between 1950 and 1965, they did little to counteract rural poverty or the high concentration of land ownership and repressed labor organizations. Although the ISI model then instituted was to blame for some of the difficulties of the quarter century to 1990, Sheahan argues that it was macroeconomic mismanagement and a lack of policy stability—revealed most dramatically in the “all out populist” government of Alan García (1985–1990)—that directly explain the failures of this period (*ibid.*, 148). By sidestepping a definite judgment on the impacts of ISI in Peru, he asks the right question: “are there any necessary connections between import substitution and the macroeconomic mismanagement that characterized this period?”

Velasco was followed by a more conservative military regime that undid some of his reforms, soon thereafter by the erratic interventionism of García and finally the hard swing to neoliberalism by Alberto Fujimori, who had campaigned on a platform of gradualism but was quickly persuaded by the international financial institutions (IFIs) that this was the only viable option for Peru, leading to the resignation of his economic team and its replacement with another one.²

Peru, like many other countries in Latin America and elsewhere, has suffered from alternating extremes in the attention given to different aspects of economic management. The focus of development thinking on structural problems, induced by the Great Depression and the post-war wave of independence for countries with weak productive structures, has left too little room for the prosaic issues such as incentives, efficiency, and macroeconomic balance. Now the pendulum has swung in the other direction, with structural differences ignored.

2. His opponent, the novelist Mario Vargas Llosa, had favored the line Fujimori later took.

To pay too much attention to them can and did lead to a dead-end strategy. But the opposite extreme is no better. The world offers more possibilities than either the version of state-led development that worked so badly in Peru or the particular model of liberalization that has, for the time being, replaced it. (*ibid.*, 11)

With the sole exception of Haiti, Bolivia's economic performance over the last half century has been the clearest failure among the medium or large countries of the region; its per capita income has edged up by only 28 percent. Cursed with isolation from world markets and until recently just one easily marketable resource (tin), and with a poorly integrated population, neither political nor economic development was ever going to be easy in this country. In John Crabtree and Lawrence Whitehead's volume, Lawrence Whitehead looks at the long and sophisticated tradition of liberal constitutional government and the sporadic pattern of mobilization from below, often under the instigation of *caudillos*, in his chapter on "The Emergence of Democracy in Bolivia" (21–40). The former tradition restricted participation to a social elite of *gente decente* and did not provide channels for popular political participation (Crabtree and Whitehead 2000, 242). This history makes Bolivia's recent attempts to broaden such participation and to link it with electoral democracy of particular interest.

In the 1960s and 1970s few foresaw the emergence of a stable liberal democratic regime in Bolivia, and the directions of future change admittedly remain uncertain even now. Prior to 1985, though some governments were elected, political conflict was mainly negotiated outside the electoral process (key actors had little faith in the process) and elections were routinely manipulated. Historically, the military and the elite were the two groups with clout. Labor's power came with the mining industry, and the 1953 revolution gave rural areas and indigenous people a modicum of influence. The fall of Hugo Bánzer in 1978, amid a wave of anti-military protests, street politics, and bottom-up pressures for democratization, presaged declining military control. But neither the military nor the Right were immediately willing to accept electoral outcomes (Domingo, *ibid.*, 143). A stalemate in the contest for power contributed to a period of instability and hyperinflation, which in turn strengthened popular preferences for less extreme parties, as reflected in the 1985 electoral triumph of Víctor Paz Estenssoro (who placed second in the actual election, but out-maneuvered his opponent through congressional bargaining, thus winning the presidency) of the more conservative wing of Movimiento Nacionalista Revolucionario (MNR). The market-friendly economic model and the associated stabilization process reinforced the new politics and the waning of international socialism left that market model as the sole major strategic option. Since 1985 political actors have been learning to live by the rules of democracy. Through the glue of state patronage, and facilitated by an increasingly

technocratic and closed-door approach to policy making and the convergence around neoliberal economics, coalition politics have contributed to stability and avoided the costly stalemates of the late 1970s. The downward devolution of powers has somewhat increased popular access to influence in some areas.

Though democratic processes are not yet consolidated nor the democratic institutions well regarded, the advances of the last couple of decades are impressive in light of Bolivia's political history, in particular the fate of two earlier brief attempts towards stable electoral democracy (1940s and the mid-1960s). Whitehead points to the favorable influence of changes in three geopolitical factors (*ibid.*, 32–33). The destabilizing effects of the Cold War had subsided, perhaps partly because President Jimmy Carter, embarrassed by U.S. support for Augusto Pinochet, emphasized human rights and thereby contributed to the democratic opening of 1978. Whereas in the 1970s all of Bolivia's neighbors except Peru were governed by intensely anti-communistic dictators, by the 1990s all had elected governments, most had freedom of expression, and leftist parties had significant support. Finally, the country was increasingly locked into a series of international commitments that carried with them democratic conditionality. These factors complemented internal ones such as the improvements in communications, including television, which helped to create a sense of nationalism and to weaken regional tensions. The social and economic emergency made it easier for the 1985 government to push ahead with some thoroughgoing changes of fiscal practices, including the sacking of 700 of the 1,200 employees of the *controlería*, a major source of corruption within government (Sánchez de Lozada, *ibid.*, 210). The 1994 Law of Popular Participation reflected the belief that elections alone were not enough to assure meaningful democracy.

How should one interpret and evaluate these advances along the road to "democracy?" A strength of the Crabtree and Whitehead volume is the nuanced treatment of this concept, its ambiguities of definition, and the gradations and possible trade-offs among the features usually taken to characterize it. Like economics, which struggles to understand dynamic processes, too much of the political science literature has focused on static ideals and too little on the processes whereby they may be achieved or on the trade-offs among desirable elements.

Improvements in the structure of power and decision-making can only bear their full fruits when state capacity is strong. Few of Bolivia's public institutions could be so described. Diego Sánchez de Lozada and Carlos Valenzuela (in Whitehead and Crabtree) tell the story of the weakness of Bolivia's agricultural support institutions. Many employees of the research institutes get their jobs through political contacts and changes in governments. Naturally enough, their understanding

of technical issues is and remains superficial due to bad hiring, high turnover, and a bureaucratic attitude inimical to information flows from the bottom up. Rising population has thrown agriculture into a vicious circle in which the need to raise productivity as plots get smaller leads to the abandonment of traditional practices that had conserved natural resources, but without equally conserving new ones as an alternative; as a result over 40 percent of the total land surface of the country is undergoing desertification.

The recent record in Latin American countries with weak states suggests the greater feasibility of excising some sources of rent-seeking and corruption than of building strong support agencies from initially weak bases. The above-mentioned wholesale firing of corrupt officials in the *controlería* is a case in point from Bolivia. The dramatic improvement in efficiency of the tax agency in Peru following a major reorganization in 1992 brought impressive results, only to be squandered later in the decade by political interference.

More generally, though, the failure in Bolivia of the new economic model to bear the fruits expected by its proponents has led to some outbursts against it (that have been repressed) and has eroded the credibility of the political parties, which still remain and are viewed principally as vehicles to capture and circulate state patronage. The interest in participation has fallen as political outcomes are seen to be more the result of coalition deals than of the electoral outcomes themselves. The fact that these political "advances" together with the market-friendly model have not yet paid off in accelerated economic growth and associated social benefits creates a continuing threat to their health and survival.

Lesley Gill's volume forms an interesting counterweight to the Crabtree and Whitehead study, whose authors broadly accept market-friendly policies as the logical option for Bolivia and recognize that neither stabilization via macroeconomic policy nor insertion into the international economy will necessarily be sufficient to propel Bolivia into a period of growth and significant poverty alleviation. By including virtually no outright criticism of that consensus, the volume is representative of a broad literature, primarily within economics, which accepts either that the shift toward the market was desirable or that it is in any case now irreversible, hence not worth much attention as one focuses on future policies. Gill does not interpret Bolivia's slow economic growth since the adoption of the Washington Consensus from 1985 as suggesting that such adoption was a mistake, but simply that it was not by itself enough to do the job.

Gill's volume falls close to the other end of the spectrum of ideas on the functioning of markets and the international economy; the author is a strong critic of neoliberalism "which conceptualizes the market as a neutral, even beneficent, arbiter rather than a metaphor for capitalist

processes" (Gill 2000, 3). She describes the market reforms in Bolivia as "one of the most draconian economic and social engineering initiatives launched in any Latin American country" (ibid., 12), in which, for example, miners lost jobs and an entire way of life. Her study focuses on El Alto, a large suburb of La Paz and an immigrant city where "many victims of Bolivia's ongoing experiment with free-market reform teeter on the edge of survival" (ibid., 1).

While alluding to many of the same key changes in Bolivia over the last two decades, such as the weakening of the labor movement and educational reform, Gill draws quite different implications from those of the Crabtree and Whitehead volume. Although both are of interest to someone trying to understand why Bolivia remains poor, the interested reader would need at least one additional take on the Bolivian reality, one which deals more directly with the most serious criticisms to which each of the schools of thought is vulnerable. Although several of the authors in the Crabtree and Whitehead volume do suggest a need for mild alterations to the market-oriented strategy that has been pushed in Latin America (e.g., one suggests bringing back development banks), there is no discussion of whether protectionism can be a good policy or whether extensive intervention may be necessary to raise the investment rate (though it is rightly argued that the rate must be raised). So although the diagnosis of the volume is often shrewd, the prescriptions are clearly mainstream. Gill's volume, on the other hand, fails to confront the neoliberal critique of state-led development—ineptitude, corruption, and so on. An ultimately useful debate must reflect the fact that many of the criticisms from both sides have a good deal of validity. Was Bolivia's Educational Reform Law a positive step, as argued by Ruiz-Mier in the Crabtree and Whitehead volume? Or was it a *de facto* privatization of public schools, to the possible detriment of the poor, as broadly argued by Gill? Or (more likely) was it somewhere in between?

Gill's chapter on the miners who relocated to El Alto brings home some of the damage that goes uncaptured in national income figures and unreflected in neoliberal discourse. First, the sense of community that held miners together was absent in El Alto, often replaced by a conscious state of competition among individuals. Neoliberalism brought in a torrent of consumer goods, which children and others naturally longed for but could not have. The loss of earning capacity by males and the resulting need for women to go into the labor market, led to a loss in men's status and to frequent marital conflicts and break-ups (ibid., 75–76). Some neoliberals came to define the *relocalizados* as parasites because of their continuing protests against their fate, claims for support, and so on. Family histories are used to good effect in this discussion.

SUMMARY THOUGHTS ON POLITICS, POLICY, AND ECONOMIC PERFORMANCE

Many Latin American countries appear to have had their first major bursts of economic growth during the first wave of globalization in the late nineteenth and early twentieth centuries (Lewis 1970). In Bolivia, Peru, and Chile, early exports were mining products, with the various complications that such a trade structure implies—relatively low employment creation in the export sector, a tendency for enclaves with little connection to the economy as a whole, and a tendency to produce an unequal distribution of income. Colombia's leadership was right to bemoan the country's failure to find a major export and the low level of international trade until coffee emerged to fill the vacuum. The very limited modernization and growth of Colombia's economy in the twentieth century was due in part to that economic isolation. The lesson of the wave of economic liberalism that swept the world in the latter part of the nineteenth century was that openness to trade could contribute importantly to growth in some countries—those in which few skills and infrastructure were required to export successfully as foreign investors would bring the necessary capital and supply any special skills. But large benefits from openness were not automatic, as Colombia's experience illustrated. Weak infrastructure and the lack of an easily exportable product explained the initial disillusion with that policy. Nonetheless, international trade did eventually usher in growth phases in all of these countries.

Colombia's strong economic performance over the twentieth century as a whole with per capita income probably increasing four- or fivefold was probably a bit better than Chile's (about fourfold); both were among the better performers in the region, though well short of the records established by the two biggest economies, Brazil (about sevenfold) and Mexico (five- to sixfold).³ When coffee's potential began to be apparent, early twentieth-century governments did undertake considerable investment in needed infrastructure. Industrialization got its start during the early coffee decades; high transportation costs provided "natural protection" for local industry in the highland cities (especially in Medellín and Bogotá); the Great Depression had a similar effect, through its temporary reduction in the amount of foreign exchange available for the purchase of imports (Chu 1972) and the Second World War through the unavailability of many goods even if a country had the funds to purchase them. Then, generally robust growth followed during the ISI period. Henderson attributes the impressive economic

3. Estimates based on Maddison (2001, 288) and McGreevey (1968, 98). Data for the first half of the twentieth century are naturally less precise than for the second half.

advance from the end of the Thousand Days War through the Laureano Gómez years (until 1965) to the stable, developmentalist economic strategy, which tended to be pursued, albeit with differing details by nearly all the governments of the period (and beyond).⁴ Colombia came to be noted for the stability of its growth, in spite of political conflict, the Great Depression, and the regional economic crisis of the 1980s; throughout the entire period from the end of the Thousand Days War until a serious economic downturn in 1998, the economy appears never to have had a year of negative growth. Prudent macroeconomic management became a hallmark, inflation never exceeded the 30 to 35 percent range, and the foreign debt never became a critical problem as it did in so many other countries of the region (hence, no crash in the early 1980s, though there was a slowdown). Colombia's presidents included no Alan García's, no Allende's, and no Velasco's. Even Gaitán and Rojas, usually portrayed as somewhat radical in the Colombian scheme of things, were not radical in their ideas of economic management.

ISI appears to have contributed positively to Colombia's development, partly because, such as Brazil, it was relatively early (late 1960s) to move in the direction of the highly successful ISI process of East Asian countries such as Taiwan and Korea by encouraging non-traditional exports through two main policy instruments—exchange-rate devaluation to make (or keep) more domestic products competitive internationally, and other steps such as tariff drawbacks for the importation of inputs used in the production of exports. Colombia may have benefited more from ISI than did Chile, but neither country was as successful as the two regional giants, Brazil and Mexico. ISI simply makes more sense in large economies, which probably helps to explain why Peru and Bolivia were not big winners (perhaps losers) from that policy; another reason, though, is that they probably implemented it less competently than the countries which grew fast under it.

Between them, Peru and Chile provide ample evidence of the cost to economies and people of ill-conceived economic policies. They also demonstrate that incompetence in policy-making and implementation is not monopolized by the Left or the Right; it is, ideologically speaking, an equal-opportunity feature of the overconfident policymaker who puts too much faith in his (her) theory and therefore relies too little on carefully interpreted empirical evidence. After achieving moderate but unstable growth under its long-running policy of openness, Peru embarked on a string of misadventures as presumably well-meaning

4. The fastest growing economies in Latin America since mid-century (Colombia, Costa Rica, Brazil, and Mexico among them) were nearly all characterized by considerable stability of economic policy and strategy; Chile was the only partial exception to that rule. Peru and Bolivia were among those with below-average performance.

governments flouted the laws of macroeconomics (García) or experimented with worker-management and ill-designed agrarian reform (Velasco). The swing toward neoliberalism under Fujimori was probably excessive. Economic policy in Peru was not only less stable than in Colombia but also less competently designed and implemented (Thorp 1991) and given to unfortunate excesses when laudable goals were pursued by non-feasible means.

Chile's policy failures were as striking as Peru's, but their damaging effects were more limited in time, essentially to the decade between 1972 and 1982. Judging the policies of Allende's government against their objective of a major transformation of the economy is difficult; the charge of careless disregard for historical precedents might be less fair in such a case. Still, it is clear that the policy team was too cavalier about the constraints under which economies function. Pinochet's team, labeled the "Chicago boys" because of their adherence to the free market ideology of the University of Chicago's economics department where a number of them had studied, demonstrated the overconfidence typical of many neoliberals (and many Marxists). As discussed both by Meller and by Ricardo Ffrench-Davis, that naive overconfidence reached its peak in the late 1970s when the government presumed that with free international capital movements there was no risk of serious economic disequilibrium. That overconfident misdiagnosis produced the dramatic economic crisis of the early 1980s in Chile.

The policy errors perpetrated in Peru and Chile span the ideological spectrum, from the populism of García to the major economic restructuring attempted by Allende and Velasco, to the doctrinaire (albeit not always the same) dogmatism of the Pinochet government on some aspects of policy. All look incompetent in retrospect; all look in some sense brash and careless, failing to take much account of the sort of advice that would have been provided by many down-to-earth empirically oriented economists. All could have achieved much more of what they sought had the goals been better matched by careful attention to past experience in their own countries and elsewhere. Peru's agrarian reform seemed to disregard the well-known advantages of small private farms. Chile's late 1970s balance of payments policy reflected a blind faith in "the most extreme type of monetarism, the monetary approach to the balance of payments" (Ffrench-Davis 2000, 106).

In contrast to such fits of whimsy, Colombia's economic policy has been characterized by relative stability, which can be traced to an underlying stability of its political system, to the sort of mature prudence of a cadre of serious professionals and technocrats who have played prominent roles in government, the sometime bipartisan character of policy-making positions, and the relative absence over most of the century, of both unrealistic populism and hard-line neoliberalism. Chile,

although its record includes some dramatic policy mistakes, has nonetheless put together long periods of strong growth. The dramatic failures of the period of 1970 to 1985 (no net growth of per capita GDP) were followed by fast growth as most of the positive elements of a well-designed market system were retained and built upon both through such useful interventions as controls on international capital movements and greater social spending.

Bolivia has struggled throughout. Not over-endowed with natural resources and physically isolated, it needed stable and well-designed policies in order to grow rapidly. On average, it got neither. Too much of the economic rents available have gone either to a small elite (prior to 1952, the tin barons) or to corrupt government officials. ISI was never likely to yield much to such a small, low-income economy, even if it had been well designed and applied, which was not generally the case. When a harsh dose of by-then-orthodox economic policies was implemented in the mid-1980s it did not produce growth, just as the shift to the market had failed in mid-nineteenth century Colombia. Under less than propitious conditions, such reforms, which may or may not be necessary, are in any case insufficient to set the economy on a strong growth path.

One of the features of state-led development in Latin America prior to the market-friendly reforms of the last couple of decades was a relatively high level of public investment in infrastructure and in state enterprises. The new view favors a small government, arguing with good evidence that state enterprises tend to be run poorly, partly because they are used as patronage instruments. When the responsibility for the great bulk of investment is left with the private sector, however, it may simply not invest enough to produce rapid growth, an outcome most likely when potentially profitable investments are not easily apparent and the private sector is not yet very skilled at identifying them. In such situations realistic options may be an adequate level of investment but in poorly managed enterprises or too little investment. One of the key elements to the ultimate success of Chile's economic growth was the attainment of a high level of private investment (foreign plus domestic), though it took a while to attract; Peru and Bolivia's failure in this regard constitutes a perpetual threat to the stability of democracy. Grebe López (Crabtree and Whitehead 2002, 171–72) believes that the transition to the market system has fallen afoul of weak private investment; he attributes this in part to the great heterogeneity of firms in terms of productivity and profitability, which impedes the efficient transmission of market signals from one sector to another, and the lack of business organizations which might provide coherent business messages to government. Traditionally, the public sector contributed two thirds of gross fixed investment and articulated relations between different sectors of the economy. Expecting the private sector to quickly double its share of investment and for efficient

intersectoral linkages to be quickly forged by the market is a tall order. Grebe López calls for a new collaborative framework between the private and public sectors, in which macroeconomic stability is accompanied by new incentives for the private sector.

Another challenge to the market economy in Latin America relates to the extreme levels of inequality. There have been a variety of innovative responses to this “great social illness.” Some have taken political form—the APRA party in Peru, the MNR in Bolivia, the UP in Chile. Others have involved an attempt to put a more human face on the capitalist apparatus. The title of the volume by Enrique Ogliastrri and Patricia Camacho, *Capitalismo y solidaridad: Una experiencia empresarial cooperativa*, bears interestingly on the perception of Laureano Gómez and so many others that consumerism, materialism, and individualism were ruining Colombia. Even if it is impossible to turn back the clock, can the capitalist apparatus be modified in socially positive ways? This study provides a hypothesis that the market system is not fully inconsistent with social goals or with a sense of community. It tells the story of Seguros La Equidad, an insurance company that is also a cooperative and whose members are cooperatives. It is a “social company” (in the sense that it pursues a social objective) but with a private organization, which generates its own funds and is managed according to the rules of economic efficiency. The authors recall the skepticism that a solidarity sector firm would be able to handle anything as specialized and sophisticated as this. The company has grown at an above average rate for the industry, not just at the outset (when all firms which survive tend to grow fast) but also throughout its life. The survival and growth of this firm proves one point: profit maximization is not always a necessary condition for success in a competitive market economy. The bigger question posed by a firm-level success such as this one, however, is how important can firms managed on these principles become as a share of the economy? Could the principles guiding this one be generalized to many other firms? Under what conditions might that happen? The fact that non-profit-maximizing criteria can sometimes be made to work does not mean they could ever dominate. This is determined by powerful forces in a country and in the world. Although it remains unclear how far such principles could be adopted in a capitalist world such as the one we live in, the more demonstrations of success at the micro level we have, the more interesting the big question becomes.

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