Latin America at the Crossroads

by
Ruy Mauro Marini
Translated by Sarah Stookey

The transformations and challenges that the world faces at the close of this century are the result of a process begun more than two decades ago. Leaving aside exaggerations such as that this is the final crisis of capitalism or, even worse, the end of history, Marxist writers have correctly analyzed the process with reference (from the rich analytical arsenal that Marxism provides) to the theory of long cycles.[1] The thesis maintained here is that we are entering a new cycle of this type, which implies sudden changes and unexpected situations. My concern is what is occurring in Latin America, and I am motivated by the conviction that, like no other in recent history, the current moment is of decisive importance for our future.

CRISIS AND RECOVERY OF THE CAPITALISM OF THE CENTER

The period of expansion that the world economy experienced after World War II ended with the North American recession of 1967. The crisis that followed had three identifiable phases (Muller, 1987: 67-70). In the first, culminating with the sudden increases in the price of oil in 1973, there were indicators of economic disturbance in the capitalist countries of the center, in particular a persistent increase in salaries (prompted by a strong workers' movement), that pulled down the rate of return and provoked a retraction of industrial investment. At the same time, there were imbalances in the U.S. balance of payments due to that country's growing loss of competitiveness

Ruy Mauro Marini, a participating editor of *Latin American Perspectives*, was a senior associate researcher in the Department of Political Science and International Relations at the University of Brasilia and is currently the director of the Centro de Estudios Latinoamericana (CELA) of the Universidad Nacional Autónoma de México in Mexico City. He is the author of *Dialéctica de la dependencia* (Mexico City: Era, 1990, 11th ed.) and *Subdesarrollo y revolución* (Mexico City: Siglo XXI, 1989, 10th ed.). Sarah Stookey is an associate of *Latin American Perspectives* who received her master's degree in economics from the University of California, Riverside. She has recently returned to live and work in Estelí, Nicaragua.

LATIN AMERICAN PERSPECTIVES, Issue 80, Vol. 21 No. 1, Winter 1994 99-114

in industrial goods and its conversion to an energy importer at the same time that the flow of substantial North American investment in Europe and Japan ended, all of which led to a crisis of the dollar and consequently of the international financial system.

The increase in competition among the countries of the center and the considerable financial resources generated by the decline of productive investment led to an overaccumulation of capital. A notable consequence of this, as a strategy to gain markets and investment opportunities, is the recycling of some of the financial earnings and productive capacity to the countries of the capitalist periphery (and also to the socialist countries), contributing to the acceleration there of industrial development and the emergence of what have been called the newly industrialized countries. In Latin America, Brazil and Mexico fall into this category, but in general this phase corresponds with a process of expansion for the majority of the countries of the region.

After 1973, and especially after the big battles in the middle of the decade from which the workers' movement in the countries of the center emerged defeated, the situation changed. The relationship between wages and the return to capital settled at a lower level, as did productive investments. In a normal reaction to this situation, the big financial groups and industrial corporations tried to maintain their average rate of profit through sectoral diversification and speculation. The recycling of petrodollars to the countries of the center aggravated the overaccumulation of capital, which was only partially mediated by transfers—via direct investment, loans, and credits—to the capitalist periphery and to socialist countries. Based in increasing overproduction and the unceasing growth of public debt, the situation was characterized by stagnation and inflation. The second oil shock, in 1979, along with increases in the interest rate (which became floating), threw the countries of the center into a new and violent recession, generalizing the crisis to the rest of the world. International prices plummeted and world commerce contracted while foreign investments stagnated and loans and credits became scarce and expensive. Latin America, the newly capitalist periphery in general (including the newly industrialized countries), and the socialist countries were dragged into the crisis.

The 1980s began, therefore, with a serious recession originating in the countries of the center that lasted until 1982, with average annual rates of variation in real product near 8 percent. From 1981 through 1983 the recession reached the dependent countries, hitting Latin America with special force; in these three years the average annual rate of variation in real product was 1.7 percent for all the underdeveloped countries and –1.1 percent for the region. The recuperation began in the countries of the center in 1983 (the average annual rate was 3.5 percent for the period 1983-1985) and in the dependent countries in the following year (the average annual rate for the period 1984-1986 was 3.6 percent for the dependent countries and 3.1 percent for Latin America) (International Monetary Fund [IMF], cited in CLEPI, 1988; CEPAL, 1989). At the same time, world commerce, for which the average annual rate of variation had been –0.6 percent between 1980 and 1982, reached an average rate of annual growth of 5.3 percent in the three-year period 1983-1985 and maintained that rate in the following three-year period to reach 7 percent in 1989, according to estimates of the General Agreement on Tariffs and Trade (GATT) (UNCTAD, 1987; CLEPI, 1988; CEPAL, 1989).

The characteristics of this recuperation appear to indicate profound transformations in the national economies, particularly in the capitalist countries of the center, and no less dramatic changes in the international division of labor and in the world economic system as a whole. If we focus on what happened in the countries of the center it is clear that, in contrast to the precarious recoveries there during the period 1967-1979, this one is due to the sustained growth of the rate of gross formation of fixed capital. On the basis of IMF data, in comparison with an annual average increase of 3 percent during the period 1971-1980, this rate (having fallen 2 percent in 1981 and 1982) rose 5.6 percent annually in the three-year period 1983-1985 and maintained this high level during the following three-year period in the developed countries as a whole (Caputo, 1989: 4). This represents, for the period 1983-1988, percentages of the gross national product (GNP) of 16-17 percent for the United States, 20-21 percent for West Germany, and 30-35 percent for Japan. In 1988 alone, these three countries mobilized for fixed capital formation, in current values, more than $1.5 billion.

In addition to its considerable volume, investment in fixed capital in the developed countries had characteristics worth highlighting. In the first place, the portion of this investment corresponding to machinery and equipment increased: comparing the investment made in this category in 1988 with the annual average for the period 1976-1980, we see that it increased in the United States from 45.2 percent of the total to 53.2 percent, in Japan from 45.9 percent to 59.3 percent, and in West Germany from 37.1 percent to 41.8 percent. Secondly, investment in technology (office machinery and equipment—principally computers—as well as telecommunications, scientific, photographic, and engineering) represented about three-fourths of the total invested in machinery and equipment in the United States in the period from 1986 through the first half of 1988, according to the IMF. Thirdly, the relative reduction in the price of high technology meant that investment in these goods in real terms was even higher; according to the same source, from 1987 to the last trimester of 1988 in the United States the price deflator for these goods was 14 percent less than the price deflator for the GNP (Caputo, 1989: 4).

These three characteristics indicate a qualitative change in the process under consideration, especially because they cloak the devaluation of fixed capital, a sine qua non for long-term recovery. This devaluation is intensified by changes in the area of circulating capital. In terms of raw materials, the appearance of new materials has considerably reduced expenses per unit in this category, primarily in the high-technology industries: a maximum of 3 percent for a semiconductor microchip as opposed to 40 percent for an automotible. With regard to variable capital what is noteworthy is the increasing replacement of labor-intensive by knowledge-intensive production, for example, in research, development, and testing. Labor costs represent 12 percent of the total cost of a microchip and knowledge costs 70 percent. To a lesser degree this tendency is also apparent in industries that have high levels of technological absorption; in a robotized automotive factory, labor represents only 20-25 percent of total production costs (Drucker, 1987: 3, 10-11).

These new trends in capitalist accumulation in the countries of the center are based on the increase in the productivity of labor and investments in research and development that have drastically altered the structure of the labor force and the employment situation. In the industrialized countries, the cost of research and development is approximately 3 percent of GNP, which means that currently the most advanced countries (the United States, Japan, and Germany) mobilize some $225 billion a year. This adds to the growth of a stratum of highly qualified workers in product research centers and in universities, presupposes profound transformations in the educational system as a whole, and affects the entire industrial work force, marginalizing growing masses of unskilled or less skilled workers independently of—or, more precisely, in function of—new accumulation. This explains why the unemployment rate in the industrialized countries, which was 4.3 percent during the previous recovery of 1975-1980, rose to 7.8 percent between 1984 and 1988, according to data from the Organization for Economic Cooperation and Development (CLEPI, 1988: 44). In the United States between 1973 and 1985, 5 million blue-collar workers from the manufacturing sector became unemployed, despite the fact that total employment for this sector increased 34 percent, from 82 million to 110 million, during the period 1973-1986 (Drucker, 1987: 3, 10-11).

Faced with these transformations—which tend, ultimately, to give primacy to high-technology industry—the major capitalist centers have needed immense financial and material resources. Parallel to the concentration of capital, that is, the growth of individual capitals that accompanies accumulation, the crisis favors enormous capital centralization achieved through the subordination, absorption, and expropriation of some capitalists by others. The purchases, agreements, joint ventures, and mergers of firms that are everyday occurrences in the automotive, electronic, and telecommunications industries, among others, are only one indicator of this phenomenon. At the same time, it is important to take into account that these capital flows at the international level are showing an increasing centralization in favor of the major centers that is also expressed at the level of international commerce. This implies, for the dependent countries, not only the loss of foreign capital but also the net transfer of financial resources to the countries of the center, along with the deterioration of their commercial standing on the international scene.

According to the IMF, in 1982 53.6 percent of direct foreign investment was destined for the industrialized countries, the remaining 46.4 percent going to the underdeveloped ones. In 1986 (once the big recession in the countries of the center had been overcome) the former were receiving 76.7 percent of the total, leaving the underdeveloped countries with only 23.3 percent. In the same period the relative share of Latin America fell from 11.5 percent to 4.6 percent (CLEPI, 1988: 104). Considering all the capital flow—direct investment and private and official credit—the underdeveloped countries still received, in net terms, $10.5 billion in 1982, stalled at $110 million in 1983, and in 1984 began a net transfer of resources, reaching minus $24 billion in 1986 (CLEPI, 1988: 99). Between 1982 and 1989, the movement of capital from Latin America signified a net transfer of $203 billion, equivalent to 49 percent of its gross foreign debt as of the end of December 1989; in that year the approximately $25 billion transferred represented 3 percent of the region's GNP (CEPAL, 1990: 15).

To these forms of expropriation must be added, according to the GATT, that which is achieved through trade. In 1977 the prices of raw materials, excluding oil, began to decline, and this tendency was sustained, except for a brief interruption in 1983-1984, throughout the decade of the 1980s and also affected manufactured goods produced by the underdeveloped countries. Even the price of oil, after the sudden appreciation begun in 1979, has been depressed since 1983 and at the end of the decade suffered a decline that erased the gains made from 1979 through 1982 (World Bank, 1988: 205). It is therefore not surprising that the share of the underdeveloped countries in the total value of exports has declined from 28.6 percent in 1982-1983 to 20.8 percent in 1986. This trend is common to all the exporting regions except Asia and is particularly strong in Africa and the Middle East; Latin America's share fell from 5.5 percent to 5.0 percent between the two points (CLEPI, 1988: 93). In 1989 the volume of Latin American exports increased by 57 percent relative to 1980, but this was reduced in value terms to only 24 percent by the deterioration of the terms of trade (CEPAL, 1990: Table 8). The reduction in the share of the underdeveloped countries in world commerce at the same time that it was expanding implies their gradual exclusion from both the markets of the industrialized countries and their own. In 1981-1983, 69.6 percent of the exports of the industrialized countries were exchanged among them, and this figure rose to 76.5 percent in 1986, whereas exports among the underdeveloped countries accounted for 29.7 percent and 27.6 percent in the two periods respectively (CLEPI, 1988: 96).

Two aspects of world commerce shed additional light on the process of marginalization that the dependent countries are undergoing. First, in terms of the flow of goods, there was an increase from 56 percent to 73 percent in manufactured goods generally between 1980 and 1988, while in the same period agricultural products fell from 15 percent to 13.5 percent and mineral products (the category most affected by the production of new materials) from 29 percent to 13.5 percent (Porto, 1989). Second, there was a considerable increase in the relative weight of services, especially if these include factorial services, that is, flows of services linked to capital and technology (which are included even though they do not give rise to import and export transactions) or, what amounts to the same thing, flows that include the sale of services by foreign companies with installations in the country (Arruda, 1989: 22). In the United States in 1985, services represented $80 billion of exports and $66 billion of imports, leaving a positive balance of $14 billion. In the same year the United States received income amounting to $96 billion and disbursed $67 billion, raising the balance to $29 billion. In Latin America the opposite occurred: in 1985, with $19 billion in exports and $22 billion in imports, there was a negative balance of $3 billion. However, with income of $10 billion and disbursements of $46 billion for factorial services, the negative balance rose to $36 billion (CLEPI, 1988: 139).

Among services the outstanding activities are those related to banking, telecommunications, administration, consulting, and tourism, which produce rents, licensing fees, royalties, and honoraria. In the realm of transformations in the world economy, with the development of new technologies and the dominance of financial capital, the proportion of GNP dedicated to this category has constantly increased and currently varies between 60 percent and 70 percent. In Brazil during the 1980s its proportion of GNP has hovered around 50 percent, besides still including a considerable amount of lesser items, such as personal services.

CAPITALIST RESTRUCTURING AND ECONOMIC BLOCKS

We are witnessing, then, a transition of the world market to a higher stage of development, marked by the predominance of manufactures and services linked to the new technologies that place a premium on knowledge and a decline in the importance of primary or manufactured products based on cost differentials determined by labor costs. This transition implies an increasing technological homogenization of production processes achieved by leveling from above and translated into the production of highly standardized goods, independent of the location of the factories. This confers a high degree of universality on the products, making them interchangeable in the production process. This in turn leads to an internationalization of the labor process and calls for a leveling of the qualifications of the work force. Under these circumstances, cost differentials come to depend mainly on the specialization of production, which is less and less a matter of natural comparative advantages and increasingly one of labor productivity. Finally, foreign investment, taking advantage of tariff protection, is directed toward closed markets, which explains the reorientation of capital to the countries of the center. At the same time, the massive amount of resources that the technological reconversion demands leads not only, as we have seen, to the centralization of capital but also to an intensification of the struggle for markets. It is sufficient to consider, for example, that the cost of developing a telecommunications system requires, in order to be profitable, a 6-10 percent share of the world market (Porto, 1989: 6).

The transition of the world economy to a new stage is being achieved through two contradictory mechanisms with a single purpose: to guarantee the industrial centers the opportunity for the circulation of goods and services produced by modern technology. The first mechanism concerns the modification of the forces that make up the world economy, the result of which is the emergence of new economic blocks. The second has to do with the transformation of the legal relationships that govern the international flow of goods and services, a transformation aimed at freer circulation of merchandise and capital throughout the system.

As in any process of this kind, the emergence of new economic blocks occurs through disintegration and reintegration. This is clearly apparent in Latin America. Marginalized by the dynamic currents of the world market, under the pressure of the service of foreign debt, and bogged down by stagnation and inflation, the countries of the region have witnessed the ruin of the proposals for autonomous and united development formulated in the 1970s and resulting in initiatives such as the Sistema Económica Latino-

Americana (Latin American Economic System—SELA) and the national economic projects of Brazil, Argentina, Mexico, and Venezuela. Isolated and weak is the way the United States and the other capitalist centers want them. The same situation occurs in Africa, where not even the anti-imperialist project in South Africa has been sustained, and in the countries directly influenced by the Soviet Union. The world economy tends to be dedicated, for the immediate future, to the predominance of the big capitalist centers, and few countries are capable under the circumstances of avoiding economic annexation.

In this context the European block, whose field of action today extends beyond Germany and is beginning to eat away at the former Soviet Union, is especially noteworthy. With Germany and France as its sustaining axis, and in counterpoint to Great Britain, this block is seeing its equilibrium threatened by the resurgence of a united Germany. Through simple addition, Germany has joined the GNP billionaires' club (consisting until the beginning of the 1990s of the United States, the Soviet Union, and Japan) and will, as soon as the situation stabilizes, be formidably reinforced by the skilled and disciplined work force of the eastern side. Extending its influence principally toward Africa, the new Europe will tend, by right and tradition, to establish privileged relations with Russia, a country that represents a true economic block in and of itself (as does China). Japan has a natural sphere of influence, Southeast Asia, and is trying to extend this to Australia and New Zealand and to the Latin American countries; Mexico, Chile, and Peru already participate in the Pacific Basin Conference. Finally, the United States' preferential relationship with Japan provides a counterweight to the special Europe-Russia link. The United States has included Canada and Mexico in its sphere of influence (which traditionally includes Central America as well) and is trying to extend it to South America.

This reordering of the world system—the expression on the economic and political level of the centralization of capital—does not, as we have seen, imply the establishment of closed preserves; it is rather a question of the assembling in each center of the conditions necessary to compete in today's struggle for markets and investment opportunities. Clearly, none of the centers excludes itself from participating in the spheres of the others, and all aspire to extend these spheres to include the whole of the world economy. It is to create such opportunities that attempts have been made to alter the legal superstructure of the world market. The United States took the initiative in this area in the 1980s, beginning with the institutionalization of what became the practice of the Reagan administration: the use of the foreign debt of the dependent countries as a lever to force them to contribute more actively to the alleviation of the crisis in the industrial countries and, at the same time, to adjust their economies to promote the interests of the latter. Through the IMF bill of 1983 and reports from the Treasury Department published in 1982 and 1984, North American policy explicitly ensured short-term support for stabilization programs aimed at controlling aggregate demand and generating exportable surpluses—the goal being to allow the indebted countries to service their international financial commitments and increase the world supply of goods produced by them, with a consequent reduction in prices. In the medium and long term, support was offered for programs that privileged the private sector and foreign investment in the framework of the marketplace (CLEPI, 1988: 6). Except that Chile adopted this development pattern in the mid-1970s, the North American initiative is one of the principal factors in the spread of neoliberal policies throughout Latin America.

Along with the progress made, starting in 1986, in the difficult process of coordinating macroeconomic policies with the other capitalist centers, the United States pushed to bring to the GATT, in September of that year, the Uruguay round, which proposed a revision of the norms governing the international flow of goods and services and was blocked by the resistance of the Europeans to modification of their protectionist agricultural policies. In any case, two delicate subjects—intellectual property and foreign investment—were left out, and these have been subject to the deployment of U.S. political force.

With regard to foreign investment, we have seen that the advantages conceded by the dependent countries are a prerequisite for North American support in matters concerning the foreign debt. The subject of intellectual property, besides being discussed in the appropriate international forum (the UN's World Intellectual Property Organization), has become the focus of intense bilateral governmental pressure revolving around three demands: the creation of new forms of protection for integrated circuits, the application of existing legal principles to new industrial processes (such as authors' rights in software), and the extension of the protection granted a process to its products (plants and animals derived from new industrial processes). The United States has already achieved some results in this area, particularly in terms of the protection of software, as is demonstrated by the changes in Japanese law in 1984, in Korean law in 1987 (Porto, 1989: 4), and in Brazilian law in 1986.

A decisive factor in the achievement of transformations in the legal-institutional framework that governs international economic relations and the adjustment of the world economy to meet the interests of the major capitalist centers has been the ideological offensive, based on neoliberalism, launched by the United States in the 1970s. Endorsing the recovery of complete freedom for the circulation of capital, the neoliberal ideology has raised once again (as did liberalism, particularly during the period of the unshakable hegemony of England between 1860 and 1880) issues such as the abolition of the commercial barriers that protected the industrialization of the periphery during the postwar period and the reduction of the state, which implies—through the privatization of public firms—making room for private capital in areas that the public sector has made profitable. In general, this means reducing the ability of dependent nations to resist external pressures, because the state is the only social force with the potential to play that role. The result of the application of neoliberal policies tends to be the destruction of whole sectors of the economy in the interest of increasing productive specialization.

It is in this context that Latin America must rethink its projects and explore the perspectives that the world of tomorrow has to offer. The failure on the national and the regional level of the policies of national "affirmation" launched in the 1970s has left the region sunk in a profound crisis that has only been accentuated by the centralization of capital in the major centers. The 1980s were characterized throughout the region by the loss of the capacity to save and invest arising from value transfers abroad. The consequent drop in productivity accompanied by an increase in the exploitation of the work force accelerated the growth of unemployment, while the informal economy assumed forms that were frankly illegal (such as drug trafficking). This provoked the splintering of the economic and political system, with especially dramatic manifestations in countries such as Colombia. Simultaneously, the salaried middle class, which embarked on a process of pauperization beginning in the middle of the 1970s, began to add to the ranks of the unemployed, intensifying its competition with the working class. The poverty of the state brought with it the decay of the already deficient educational and health systems, the deterioration of social security, and a housing crisis.

An acute class struggle has therefore been the basis of the democratization processes that have distinguished the last decade. These have been characterized by the fall of military dictatorships in the majority of the countries where they existed and greater political flexibility in others. The hallmark of these processes is the formation of a broad-based and rejuvenated mass movement shaped by resistance to the previous repressive regimes. Forging new instruments, as in the case of the Brazilian Partido dos Trabalhadores (Workers' party—PT), or turning once again to familiar methods (as in Peronism in Argentina, Cardenism in Mexico, laborism in Brazil, Miririsim in Bolivia, Christian Democracy and socialism in Chile), these mass movements have achieved multiclass blocs and waged, with greater or lesser success, significant electoral contests.

The conflicts that have arisen within the bourgeoisie in the course of this process have made evident its diverse interests. The bourgeoisie has clearly split into three groups. The most recent, evident in the more developed countries, unites economic groups linked to new technologies, principally microelectronics, information, refined chemicals and pharmaceuticals, telecommunications, aeronautics, and aerospace. The future of the groups that make up this bloc depends on transformations in the world economy, and therefore they are interested not simply in the opening up of their economies but in an economic reconversion that offers them some advantages in negotiations with the international giants that have the technological and financial monopoly. This entails reform of the state, the end of protectionism, the adjustment of the legal-institutional design of economic development, and the large-scale modernization of the national industrial stock.

This modern bloc clashes with the second important group, which is the largest and politically strongest and encompasses the big-business sectors that emerged during the course of industrialization up until 1970, including everything from the textile and food industries to the iron and steel, mechanical, and automotive industries. The principal beneficiaries of the import-substitution policies and, in general, the value-transfer schemes formulated by the state, they resist the reconversion proposed by the modern bloc. The confrontation of these two groups is, however, marked by ambiguity. Whereas the modern bloc seeks to open up the economy and presses for modernization, it agrees with the traditional industrial bourgeoisie on the need to protect the latter's interests in negotiations with the international centers. The conflicts between the two blocs are particularly keen in Mexico and Argentina and, to a lesser degree, in Venezuela.

The third group, which exists in all the countries of the region, consists of the sectors linked to the mining and agricultural interests, intrinsically dependent on foreign markets. This group is almost always allied with the modern bloc, although its interest is less in reconversion as such than in the opening up of the economy and in export promotion. In the countries where this exporting bourgeoisie predominates, there is the risk that the reconversion will be nothing but a return to the economy's 19th-century form and role in the context of the international division of labor of that period. The difference would lie above all in the more frankly capitalist nature of this sector in terms of the exploitation of labor and business management.

Neoliberalism is the weapon that the major capitalist centers and the sectors of the national bourgeoisie allied with them are using to achieve hegemony in the political arena. The traditional industrial faction's attempts to retain the reins are manifest in the heterodox policies—mixtures of developmentalist and statist postulates and instruments—that became apparent during the second half of the 1980s. The end of the decade also marked the end of heterodoxy, which gave way to neoliberal policies that were the expression either of the triumph of the modernizing group, united with the international bourgeoisie, or simply of the unequivocal imposition of this group's interests.

THE SEAL OF THE PEOPLE

Latin American economic reconversion, tending to greater specialization and productive efficiency, is an unquestionable necessity. It is also clear that this process entails the end of protectionism in the form in which it has been practiced and the redefinition of the role of the state in economic and social development. In fact, reconversion is only partly a result of external pressures: Latin America's arrival at a dead end in the 1980s made the process inescapable. External pressures have simply determined its timing and design.

Goaded into creating commercial balances capable of guaranteeing income transfers to the exterior (which do not represent capital exports, since there is no return to the region), Latin America has resorted to containing demand and subsidizing production and exports. This has increased world demand for goods and caused a decline in prices, with the result that value transfer via prices adds to the outflow of debt service. To the extent that the implementation of this policy has meant reducing the standard of living of the population and extracting resources from productive investment, Latin American countries have been led into stagnation, inflation, and unemployment.

It is essential to break this vicious cycle. It is absurd that, because of protectionist barriers, Latin American consumers endure higher prices than prevail internationally in order to ensure extraordinary profits to the capitalists operating in the region. It is absurd that the state uses scarce resources to lower the prices of export products, subsidizing consumers in the rich countries at the same time that it reduces its income by making public enterprises sell at artificially low prices. It is absurd, generally, that in the name of a supposed competition that serves only to produce commercial balances, the workers' basic needs go unmet as the state undercuts their salaries and refuses to adopt responsible social policies.

Therefore, it is the form rather than the reconversion itself that must be questioned. Indiscriminately opening up their markets and privatizing public enterprises, the Latin American states are setting in motion a process with serious implications for our countries. As proposed, the reconversion brings with it a savage destruction of capital, principally in the most backward sectors, with the inevitable sequel of unemployment, and presupposes a reform of the state that, besides bringing on the liquidation of public wealth at a contemptible price, prompts the release of massive numbers of workers and public employees and the strangulation of social policies.

It is natural under these circumstances that—in addition to the resistance of the traditional bourgeoisie, which debates more the timetable than the content of this project—the elements of reconversion should evoke the discontent of the workers in state enterprises, public employees, and employees in general. The result has been an opposition that is diffuse and lacks an alternative proposal framed in distinct ideological and political terms. For example, when the then recently elected government of Fernando Collor de Mello in Brazil announced its stabilization program, aimed at creating the conditions for reconversion, the economists associated with the government reacted strangely: while those who responded to the interests of the traditional industrial bourgeoisie criticized the program on the basis of supposed technical errors, the economists of the left, principally the PT and the Partido Democrático Trabalhista (Democratic Labor party—PDT) greeted it with enthusiasm. Politicians such as Leonel Brizola and Luís Iñacio da Silva (Lula) have therefore thrown themselves against the program without any theoretical support, motivated exclusively by their political instincts. The situation of the Argentinian or the Peruvian left is not much different, and the Chilean left has no proposal capable of seriously modifying the state's behavior in the new conditions created in 1989.

This ideological disarmament of both the traditional bourgeoisie and the left can be attributed to a large extent to the neoliberal offensive unleashed in the 1970s, which initially took as its target dependency theory, suffocating thereafter *ab ovo* the efforts of the theorists of the traditional bourgeoisie to replace it with a social-democratic version of neodevelopmentism. Even international social democracy, from the Brandt report to the recent work of the Southern Commission, has gone no farther than to make some partial contributions that, taken out of context, are being reworked by the neoliberals. The neoliberals are in fact presiding over the process of reconversion in Latin America.

It has therefore become necessary to rethink the Latin American predicament, distinguishing between unavoidable imperatives and the class perspective from which those imperatives are advanced. The pursuit of integration into the new world economy is clearly a path that must be followed, but it calls for the creation of a correlation of forces more favorable to the countries of the region, the opposite of embracing with open arms an integration with the major centers that ill disguises its true character of annexation.

The fundamental instrument for this is, of course, Latin American integration. However, in order to be effective, integration should not conceal its objective of greater specialization of national economies; integration requires complementarity. This supposes the sacrifice of the less competitive or noncompetitive sectors of some countries for the benefit of others, but above all it supposes the related development of new sectors, principally those based on the new technologies.

With regard to Latin American integration, there is an even more relevant issue: removing it from the exclusive control of governments and the bourgeoisie through the demonstration of greater initiative on the part of the popular forces, coordinating efforts in trade union, social, cultural, partisan, and parliamentary spheres. Integration must not be perceived as simply a business matter, destined only to guarantee investment and marketing areas. It must become a great political and cultural project in the best tradition of the Latin American left. This means that workers, students, intellectuals, women, the social and political organizations of Latin America must forge the means of unifying their demands and coordinating their struggles in the arena of labor legislation, educational policy, and programmatic platforms and demand the inclusion of their representatives in existing organizations and in those to be created in the process of integration.

On another level, it is important to be concerned with the economic and social effects of reconversion. To the degree that this implies greater productive specialization, it will involve revamping or restricting low-productivity sectors that survive at the cost of protectionism and the public treasury and distort the price structure, allowing other sectors to exact extortionist prices that repress the consumption of large sectors of the population. It is inevitable, therefore, that unemployment will increase, and integration will accentuate this effect. It falls to the popular forces to champion compensatory mechanisms for the transitional period during which productive systems can be made internationally competitive, cutting costs and at the same time increasing salaries.

Even the proposal for reforming the state that has been voiced in Latin America must be reviewed. Uncritical defense of the state's role in the economy and the campaign for increased protectionism—which mainly served to transfer value to private business groups—are no longer enough. It is necessary, first of all, to propose that the state assume the guiding role in this new stage of economic development to curb the excesses of the transnational groups and to guarantee that privatization is not just turning public property over to the private sector via dubious transactions but a means of increasing popular participation in production and distribution. Political calls for austerity must truly represent the end of state transfers to the private business sector and the redirection of state expenditure toward social policies. In this context, the priority—besides health—is education, the condition sine qua non if the Latin American population is to meet the demands that accompany the techno-scientific changes in production and services and the most important lever for workers' political and cultural advancement.

Ensuring a reconversion process of this kind depends on the mobilization of the Latin American people in favor of a definite economic and social project. It would be foolishness or pedantry to maintain that this project can be elaborated beforehand. Although the intellectuals cannot be freed from their responsibilities—they must reaffirm their commitment to work in the interest of the people—this project must be formulated in practice. It is the practice of the masses, through their direct participation in political life, that will allow them to impose their stamp on the reconversion. For this reason, the defense and expansion of democracy take on decisive importance for Latin American workers as the framework for the progress of their organizations and struggles.

Latin America is at a crossroads. Its future is in the balance, at the turn of this century, and the outcome is still uncertain. The difficult moments we are living are characteristic of all great historical epochs. Understanding that the victories achieved by the national and international bourgeoisie are only partial results and not the *verdictum* of history is the way to replace them tomorrow with the people's victories—steps in the construction of a better society, an alternative to the rotten fruit of dependency and misery offered by the bourgeoisie.

NOTE

1. The theory of cycles—including phases of expansion, crisis, and recovery—is common to all modern economic theories. The concept of long cycles or waves that include several cycles in a single expansion and contraction with an approximate total duration of half a century is linked to the name of Soviet economist Nicolai Kondratiev, who dealt with the subject systematically in the 1920s, although others had previously alluded to the phenomena.

REFERENCES

Arruda, M.
1989 "Brasil: é essencial reverter o atraso." *Panorama de Tecnologia* 3-8.
Caputo, O.
1989 "El comportamiento de la inversión en los principales países capitalistas desarrollados." MS, Universidad Nacional Autónoma de México.

CEPAL (Comisión Económica para América Latina)
1989 *Balance preliminar de la economía de América Latina y del Caribe*. Santiago de Chile: FCE.
1990 *La economia latinoamericana y del Caribe en 1989*. Santiago de Chile: FCE.
CLEPI (Centro Latinoamericano de Economía y Política Internacional)
1988 *El desafío de la incertidumbre*. Caracas: Nueva Sociedad.
Drucker, P. F.
1987 "A economia mundial transformada." *Economic Impact* (Brasília) 2.
Müller, G.
1987 *Introdução à economia mundial contemporanea*. São Paulo: EDUC.
Porto, A.
1989 "II revolução industrial chega ao fim nos EUA." *Panorama de Tecnologia* 3-8.
UNCTAD (United Nations Conference on Trade and Development)
1987 *Handbook of International Trade and Development Statistics 1986*. New York.
World Bank
1988 *Relatório sobre o desenvolvimento mundial 1988*. Rio de Janeiro: FGV.