Silent Revolution
The Rise and Crisis of Market Economics in Latin America

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The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist.
Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas.

Latin America Import Substitution Policies

- Infrastructure investment (roads, water, electricity supplies).
- Keep labor costs down.
- Protection of local industries against foreign competition by taxes and import quotas (non-tariff barriers).
- Nationalization of key industries (oil, utilities, iron and steel. Big state sector.)
LA Import Substitution Policies

• Overvalued exchange rate to make exports expensive and imports cheaper. Facilitated importation of capital equipment (machinery) and inputs, while tariff and non-tariff barriers ensured that imports were cheap. Overvalued exchange rate also kept inflation down by making imports cheap.
Problems of Imp. Subst. Policies

- Production inefficiency (poor quality and high prices of products manufactured).
- Two-tier workforce (modern sector and the rest).
- Oligopolies by domestic and transnational companies.
Problems of Imp. Subst. Policies

• Small domestic markets to absorb production. Low economies of scale.
• Subsidies to state industries + increased state spending on social services led to chronic government spending deficits.
• To cover deficits, govts. printed money, which in turn increased inflation.
Problems of Imp. Subst. Policies

• Countryside starved of investments because priority was industrialization.

• Failure to generate jobs.

• Price controls on agricultural products + importation of cheap foods >>> poverty in the countryside >>>> huge migration to the cities.
The Debt Crisis of the 1980s

• Petrodollars had to circulate. “A country does not go bankrupt.”

“[From 1978 to 1982] Brazil borrowed $63.4 billions, well over ½ of its total Gross Foreign Deb, in a frenzied, and eventually useless attempt to avoid default. Almost all of this money did not
The Debt Crisis of the 1980s

enter Brazil, but stayed with the foreign banks ($60.9 billions)...[Brazil was forced to] contract a huge paper debt that it would later be forced to honor through the export or real goods. It was a financial con trick on an unprecedented scale.

Jackie Roddick, The Dance of the Millions...
Neoliberalism 101

• Rule of the market ("free" market?).
• Monetarism.
• Stabilization (control inflation) + Structural Adjustment + Export-led Growth.
• Cuts in social programs such as health and education, reduction in safety net (reduction in size of government).
• No more public good. Individualism above all became ideology.
Neoliberalism/Structural Adjustment Programs (World Bank)

- Deregulation of labor market and foreign trade.
- Liberalization of financial markets.
- Privatization of state-owned companies.
What happened in countries?

SAPRI report

• Flexibilization of labor force, growth of precarious work, restrictions on labor rights (right to strike and collective bargain).

• Increased inequality in access to money. Few powerful and large firms got money.

• Privatization of basic services such as water and electricity a disaster. Privatization of companies involved in production sometimes OK.
Impact of Globalization on Work (ILO, 1999)

• Some 1 billion workers (1/3 of the world's labor force) unemployed or under-employed (1998).
• 150 million unemployed (1999)
• 25 to 30 % of the world's workers (750 million to 900 million people) under-employed (i.e., either working substantially less than full-time, but wanting to work longer, or earning less than a living wage)
Impact of Globalization on Work (2)

• Chronically high levels of unemployment and underemployment
• Social exclusion (limited employment opportunities for the young and the old, the less skilled, the disabled, and ethnic minority groups)
• Bias against women in all these categories
Impact of Globalization in the U.S.

- Increase in service sector (about 30% of workforce), decrease in manufacturing (less than 20% of workforce)
- Downsizing, contracting out or outsourcing
- “Lean and mean,” just in time (JIT)
- Growth of part-time, contingent, or “precarious” work
- Deregulation (OSHA enforcement)
Impact of Globalization in the U.S. (2)

- Roll-back of benefits to injured workers
- Privatization of social services such as education, health care, water treatment, garbage collection, and even prisons.
Impact of Privatization in Mexico

- Increasing unemployment and underemployment
- Lower wages, worse working conditions in agriculture
- Denationalization of entire sectors of the economy (e.g. telecommunications)
- Flexibilization of work
Impact of Privatization of Sugar Industry in Mexico on Work and Health (2)

• Concentration of capital, increase in productivity
• Lay-offs and intensification of work
• Weakening of unions
• Economic insecurity and stress at workplace and community levels
• Increased environmental pollution (respiratory ailments)
Impact of Privatization of Petrochemical Industry in Brazil on Work and Health

• Total restructuring of the industry
• Lay-offs, contracting out, importation of “Japanese model” of management (multiskilling, team work, just in time, total quality management), fragmentation of workforce, intensification of work, shifting of risks to contractors’ workforce (young and less skilled), and weakening of union.
• Increased risks of catastrophic explosions?
Conclusion

• Grassroots Globalization is building the international social movement’s alternative to neoliberalism, as seen in the World Forum held in Porto Alegre, Brazil in the Year 2000.

• Alternative development must promote democracy, freedom, equality, social justice, citizenship, and peace.