

# **The Crisis of the Latin American Nation-State**

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## 1. Introduction

Since I have limited knowledge of Colombia, any light I can shed on “the Colombian crisis” must be indirect, generated by a discussion of the more general development of modern nation-states. I specifically ask what it is that makes for **successful** nation-states, that is states with effective “infrastructural powers” and nations which are cohesive. I address this question with a brief comparative analysis of the West, Latin America and successfully developing parts of Asia. I can then begin to identify the problems – amounting perhaps to a “crisis” – facing Latin American states today.

Since I am a sociologist, my view of states goes beyond the constitutions, political parties and electoral systems on which political scientists have focused most of their recent attention. I concentrate less on democracy than on state administration, on what states actually **do**, and I then examine how this is rooted in their societies. I will argue that the most effective modern states are those whose societies are sufficiently homogenous and egalitarian to permit the development of a common sense of national citizenship. This permits states to develop effective infrastructural powers to mobilize resources and so promote development. In the long-run such states will also become democratic. The converse is more clearly true, however: only states with efficient infrastructures can become full democracies. Latin American nation-states have major failings in this respect. These form what I will term the “structural crisis” of the continent’s nation-states. Of course, current problems do not constitute a crisis in the dictionary sense of being sudden and unexpected, for such state crisis has been recurrent, even perennial and so in a sense predictable. But to them have been added two more recent and unexpected “situational crises”, presented by debts and drugs. These were partly or largely generated from outside the continent, but they serve to exacerbate the more long-term structural crisis. This combination of “crises” hits Colombia hardest of all, constituting by any definition a “Colombian crisis”.

But first I define state power. This may have two meanings. We may talk of a state being “strong” because it is despotic **over** its society or because it can effectively implement decisions **through** its society. — power over or power through. In previous work (Mann, 1984) I termed these despotic and infrastructural power and laid them out in a simple four-cell table.

### Table 1 Here

**Despotic power** is the ability of state elites to take decisions without routine negotiation with groups in civil society. In principle democracy involves no despotic power at all, though all real-world states possess some. **Infrastructural power** is the state’s ability to actually implement decisions throughout its territories, no matter who takes the decisions. This might also be termed state capacity or efficiency. It requires that states possess infrastructures penetrating universally throughout civil society, through which political elites can extract resources from, and provide services to, all subjects. All advanced states of the global North today possess considerable infrastructural power; at the other extreme some sub-Saharan African states possess negligible

infrastructural power (eg Somalia or the Congo). Latin American states lie somewhere between these extremes. These two dimensions of state power are largely independent of each other. Thus in 18<sup>th</sup> century Europe both England and Prussia were infrastructurally powerful states, though Prussia fell into my authoritarian cell and England into the bureaucratic cell since it was a representative government (though it was not yet a democracy – see Mann, 1993: 109).

## 2. Western States Before 1945

The ideal modern state would combine high infrastructural with low despotic power – having the capacity to effectively mobilize resources and commitments across its territories, while remaining democratic. It would be a fully democratic and bureaucratic nation-state. But most states do not reach that ideal. Indeed, establishing infrastructurally powerful and largely democratic nation-states was a long and tortuous process in the West. It took from the 18<sup>th</sup> to the 20<sup>th</sup> century, and the final victory over more despotic states only occurred in the mid to late 20<sup>th</sup> century. All this presupposed three broad social processes.

(1) There was a large reduction in ethnic heterogeneity within each state. Originally, all Western states were very multi-ethnic. This variety was then reduced over many centuries, both before and during industrialization. This sometimes occurred through massive murderous cleansing (as in the US, as native peoples were eliminated), but in Europe it came mostly through a mixture of voluntary and forcible assimilation into one dominant ethnic identity (as French, German etc). The title of Eugen Weber's classic book "Peasants Into Frenchmen" (1978) reveals the overall process by which in the course of (mainly) the 19<sup>th</sup> century peasants who had earlier conceived themselves primarily as Bretons, Provençals etc. came to think of themselves as being "French". As a result nation-states came to dominate the West – a state for Germans, for the French, the Italians etc. There do remain a handful of multi-ethnic consociational democracies in which ethnic differences remain and are institutionalized within state constitutions (Belgium, Switzerland); and cases where one ethnicity dominates, but minorities have some regional autonomy (Spain, UK). But for the most part, there is a single, dominant national identity, into which new immigrants are socialized. This occurs on the largest scale in immigrant countries like Australia and the US. All this has become familiar through the recent flowering of work on ethnicity and nationalism, and it is the central theme of Chapter 4 of my forthcoming book *The Darkside of Democracy: Explaining Ethnic Cleansing*. The irony is that it was by way of oppression and murder that a common sense of nationhood developed.

(2) Western states originated as war-making monarchies. Wars were frequent, armies large and expensive, and taxes and conscription were heavy. The first efficient state bureaucracies concerned armies and navies and the tax-gathering machinery necessary for them. But since tax-gatherers and recruiting-sergeants were extracting larger and larger resources, popular resistance to them was strong. Resistance did not succeed in reducing the burden of taxation and conscription – for wars continued and became even larger and more expensive in the 20<sup>th</sup> century. But resistance did bring about representative government, making bureaucracies ultimately responsible to legislatures. The slogan of "no taxation (or conscription) without

representation” led toward democratization. This movement of resistance gathered up considerable cross-class & cross-ethnic solidarity against despotic state elites. Property owners and the propertyless were intermittently allied against the state in a struggle for representative government. Provincial elites joined the movement and so lost their regional autonomy. States became more centralized. The fiscal-military origins of representative government have been emphasized by a recent school of historical sociology, by Charles Tilly, Theda Skocpol and myself, among others. It is again deeply ironic that Westerners’ tendency to kill each other led toward democracy.

(3) This struggle was then reinforced by large reductions in class inequalities within each national society, through a mixture of quite evenly diffused industrialization and democratic pressures on states for fairer taxation. This was backed up in civil society by the institutionalization of class conflict, occurring over a century from about 1870 to the 1960s. All this is very familiar to Western economists, political scientists and sociologists.

These three processes permitted the emergence of relatively centralized, homogenous and egalitarian civil societies, focussing politically on a common sense of national citizenship. States became broadly democratic, aiming at the welfare of all, relatively effective at mobilizing citizen commitment. In T.H. Marshall’s classic (1963) formulation, citizenship combined civil, political and social participation in the same nationally-defined society. Subjects became citizens as they acquired universal civil liberties, political representation and rights to participate in the same economic society. 20<sup>th</sup> century state bureaucracies then implemented their citizen rights across their territories.

Thus Western democracy is more than a mere electoral system. Electoral rules only generated stable democracy where ethnic, regional and class conflict were stably institutionalized. In turn this helped develop infrastructurally effective states and relatively egalitarian nations. War continued to play a major role in the process. These were the states that won the world wars, and they imposed their form on the losers. So, finally, after 1945, most countries in the West came to possess infrastructurally-powerful, democratic nation-states

### **3. Latin American States Before 1945**

Clearly, this is a unique history, which other regions of the world have not repeated and will not repeat. Nor would it be desirable for them to do so, since this would involve massive wars! Latin American states developed and will develop according to their own rhythms. They too are quite old, and they moved toward the democratic nation-state from the early 19<sup>th</sup> century, and toward industrialization near the end of the century. They considered themselves to be as much a part of “the West” as other European settler states, like the US or Australia. Yet they had two distinctive features which were to delay the emergence of true nation-states.

(1) The military/ fiscal pressures were much weaker, as Centeno (2002) and Mazzuca (2001) have shown. Wars were fewer and smaller, and so states and their militaries also remained

small. Taxation rates were much lower than in Europe: those of Chile and Brazil (the best-documented) were well under half those of Britain during the whole of the 19<sup>th</sup> century, says Centeno. States coped with their wars mainly by ad hoc borrowing, creating debt, taxing foreign trade and by simply printing more money, generating chronic inflation. European state elites had primarily made war. But in Brazil and Argentina, says Mazzuca, their main goal was integration into the world economy. Their greatest single expenditure was not war-making but ports and warehouses. Infrastructures did not so much integrate the state territories as connect them to the outside world. So their actions did not usually provoke domestic cross-class or cross-ethnic struggles over taxation, as in the West. Most of their monies came from trade and went on trade. Since provincial elites were not bothered much by the state, they retained their local controls. States continued to rule their provinces indirectly, through the *caciques*, the local bosses. The rich paid virtually no taxes, and even the poor paid less than they did in Europe. States remained weak and ruled through rural landed oligarchies, which stifled pressures for land reform and for greater equality. Successful industrialization in the late 19<sup>th</sup> and early 20<sup>th</sup> centuries did diffuse income more broadly, at least across major urban areas. In these enclaves, class conflict and its institutionalization began to take on forms comparable to those of the West. But national economic and social integration remained weak. Overall, Latin American states remained quite different to European ones. While they moved (more slowly and more unevenly) toward democracy, their infrastructural penetration of their territories remained much feebler.

(2) Greater ethnic differences remained for much longer. Most colonies in Latin America did not almost completely exterminate their indigenous peoples, unlike Anglo-Saxon colonies in the temperate zone. This difference was to produce a supreme historical irony. Having exterminated 95% of their indigenous populations, the United States and Australia could later develop impeccable liberal democracies, without having to cope with racial problems (except for the legacy of the US import of black slaves). Yet the more humane Latin American states had to cope with enduring racial-ethnic problems, though of a rather distinctive kind. Latin America does not face the problem which dominates Africa, of different ethnic groups possessing rival political claims to states. In this continent the *indios* have rarely posed much of a political threat, since their original states were quickly destroyed and they were reduced to peripheral areas. Only in a few peripheries (like the Yucatan) were they capable of developing their own states. Instead, the *indios* were integrated into the bottom of the settlers' class/ caste hierarchies. Racial differences between whites, mestizos, blacks, mulattos and *indios* generally reinforced class differences. In many areas the upper classes/ castes considered themselves to possess an altogether superior "civilization" to the *indios*. Some still believe this. This means that the continent has long possessed unusually steep and deeply entrenched class/ caste hierarchies.

These profound differences were also expressed regionally. Regions settled by whites dominated regions populated by *indios*. Since industrialization was largely confined to regions dominated by whites, it did not have such a diffusely levelling effect as industrialization in the West. Labor unions could not so easily pose as representatives of the poor and oppressed, for across the nation as a whole they represented quite privileged sectors of the labor force. And since domestic markets remained relatively weak, the more advanced regions related more to the global than the national economy. All this weakened national solidarity.

The combination of (1) and (2) generated much higher levels of class, ethnic and regional inequality among the citizen body than existed in the West. These patterns of inequality still endure today, as comparative data on income distributions reveals. Table 2 presents Gini coefficients for countries providing sample surveys of household incomes over all recent decades. Ginis measure the degree of inequality among these households. A Gini of zero would indicate complete equality, so the higher the coefficient, the greater the inequality.

### **Table 2 Here**

For the moment I focus in this table on differences between regions, not differences through time. In any case, these are the bigger ones. We see that over the last decades inequality has been much higher in Latin America than in either the West or East Asia. Note that Colombia is quite close to the Latin America average. I present only these three regions, since they alone have reliable data over the required data. Those who present the less reliable Gini coefficients for other parts of the world conclude in the same way. Latin America, they say, is the most unequal region in the entire world (Deininger & Squire, 1996; Morley, 2001). This also means that poverty is also very widespread in the continent. It is estimated, for example, that almost 60% of the Colombian population lives below the official poverty line. Studies also show that elites contribute disproportionately to inequality. In Table 2 we see that the US Gini coefficient has been recently increasing, approaching near the Latin American level. But the income gap between the richest 10% and the next 10% of the population is actually twice as high in Latin America as it is in the US (IDB, 1998: fig 1.9b). The very rich in Latin America almost live on another planet! This is very easy to see in a city like Bogotá. It has a modern, cosmopolitan city center replete with gymnasia, ethnic restaurants, chic stores, office towers and lavish apartment complexes – just like any major city of the North. But this enclave is surrounded by desperate *barrios* and so has to be barricaded with iron bars and soldiers. I should add that Latin American leadership in such inequalities is now rather old, being originally due to the extraordinarily unequal pattern of colonial land settlement. In an era in which democracy dominates political discourse, such leadership must be very uncomfortable. It is the pre-eminent social issue facing the continent, its enduring “structural crisis”.

Given such inequality it is difficult for Latin American economies to develop along the lines of most Western economies. Luxury imports for the rich attain disproportionate weight in the economy, while domestic mass consumption markets remain stunted. This means that domestic saving and investment are really inadequate for much economic development. It also stunts a common sense of nationhood. Centeno observes that the upper classes/ castes in different countries have had more in common with each other than with the lower classes/ castes in their own country. Classes often seem to belong to different cultures, even to different societies. Nor could states easily express a common sense of citizenship, since they were traditionally the possession of elites, not the citizen body as a whole. Elites are also unusually decentralized, controlling and diverting local state resources into particularistic provincial channels which subvert national parliamentary legislation.

Such elites resist taxation (as they do elsewhere in the world) since they need fewer social

services. But here elite resistance is more effective, since they can resist and subvert state infrastructural power in the provinces, whatever happens in the capital. Latin American states tax less. On average the ratio of taxation to GNP is about one-third the level reached in the G-7 countries: in Latin America it reaches 12-14%; in the G-7 countries it reaches 36-40%. In Colombia it is about 10% of GDP. Many states in the continent do not even provide clean water and sewerage to most of their populations – let alone provide unemployment benefits, housing or medical care. Elites also capture more of the universal social services that do exist.

Take, for example, education. Educational modernization in the continent has put disproportionate resources into elementary and university education, at the expense of secondary high school education (Morley, 2001: 51-9). The relatively small number of elite university students can now enter the technically advanced world of high modernity. But the Latin American masses are poorly prepared for the moderately skilled industrial or service tasks which must form the bulk of the contemporary labor markets, generating mass consumption markets. East Asian states by comparison have put more resources into primary and secondary education than the universities, which enables much larger numbers to participate in a modern economy and society.

Finally, elites can more easily capture state infrastructures surreptitiously and subversively, in the form of corruption. Their supposedly universal services become diverted to the interests of the particular patron-client networks of political elites. In Max Weber's terms, "bureaucratic" states become tinged with "patrimonialism". Contemporary state infrastructures do penetrate quite deeply, but their penetration is particularistic. They do not diffuse universally through society. This offers a way to cope with large inequalities. The poor recognize they can only share in the rewards of citizenship if they participate, in however lowly a fashion, in patron-client crony networks. This makes them apparently deferential to their patrons and it reduces class conflict. But this is at the expense of national solidarity and state infrastructural power.

#### **4. The South and East Asia After 1945**

After 1945 the ideal of the democratic nation-state was generalized to the world, especially through decolonization. The US took the leading role here, as both the greatest Power and the main anti-colonial Power. It is often forgotten today that globalization involves not just capitalist production and markets but also a global system of nation-states. There are now 200 of them, all sitting together in a body called "the United Nations", all claiming to be democracies or moving to democracy, all seeking to establish a relatively secular sense of the nation and all claiming to foster economic development. Most aimed at the capitalist version of economic development and at the liberal version of freedom and democracy. After 1991 virtually all have done so. This is a remarkable convergence of ideals and formal constitutions.

But, of course, reality does not match the ideal or the constitutions. Most of the world's regimes actually straddle a rather broad realm somewhere between full democracy and despotism – elections occur but they are subverted by government control of the media, selective banning of

“subversive” oppositional elements, stuffing of ballot boxes, electoral bribery etc.etc. – all the techniques tried and tested earlier in the West. And most of the world’s regimes have not promoted much economic development. It is true that life expectancy rose across the globe until the last decade or so, and that incomes have risen a little over the same period. But the gap between North and South remains very large, and it is now actually widening for most of the countries of the South.

Things started quite well, after 1945 and after decolonization. The struggle against colonialism produced nation-building effects analogous to earlier struggles in the West against high-taxing monarchies. There was usually a 20-year period in which secular, ostensibly democratic nationalism developed, together with some economic growth. Most new regimes appeared at the time to be somewhat leftist – there was “Third World Socialism”, “Arab Socialism”, “African Socialism” etc. New regimes in East Asia were secular but usually more rightist – as for example the military regimes in Korea, Taiwan and Indonesia. In the early post-1945 period many countries, especially in East Asia, accomplished land reform, since landlords had been either the departed colonial oppressors or locals who had collaborated with them. Though East Asian regimes might have seemed quite “rightist”, they reduced inequalities through such reforms.

Outside of East Asia, however, both economic development and democracy then began to stall. “Socialism” became revealed as despotic across the Middle East and Africa. Since secular nationalism was seen as failing to deliver development or democracy, there came counter waves of ethnic and religious movements of revitalization. These created massive civil conflict, either between majority and minority ethnic or religious groups, or between secular and “fundamentalist” rivals. The worst cases led to civil wars and failed states. Studies have shown that ethnic and civil wars grew rapidly from the 1960s through to at least the late 1990s. Though some believe the worst is now over, this is not so in the poorest countries of the world where these wars are increasingly concentrated (Gurr, 2001; Fearon and Laitin, 2001). Many states of the South are now rather despotic but have very little infrastructural power over parts of their territories. Some are suffering much worse than Colombia. Since states in this predicament cannot finance general services for their citizens, it is hardly surprising that those with political power will channel state resources to their own patron-client networks. States become deeply corrupt and this then becomes another obstacle to their becoming states of genuine citizenship.

But this story of relative failure is balanced by one great regional success story. In the 1950s to the 1970s the groundwork was laid for successful economic development in East Asia. Success came (as we might expect) in ethnically and religiously homogenous states, with a relatively low degree of class inequality. Land reform had narrowed agrarian inequality, and industry and secondary education diffused quite broadly across urban population. For these reasons, the level of domestic consumption and investment was quite high. On this basis East Asian states were able to efficiently tax their citizens, and to co-ordinate economic activity, protect infant industries, offer incentives to investment and subsidize exports. Their success also attracted foreign capital.

Their economic development was rather statist. As Linda Weiss and John Hobson have noted

(1995; cf the supporting evidence found in Rowen, 1998), these were infrastructurally powerful states, possessed of strong powers of co-ordination with business groups. From this rather statist and class-biased base, East Asia was later able to liberalize its economies, in the 1980s. India & China began to follow suit in the 1990s. All these states' powers derived essentially from relatively homogenous and quite egalitarian societies. They were not usually democracies. Among them only India was initially what we would call a democracy, though most have begun to democratize as they have achieved economic success through their infrastructural powers.

Note how East Asia tends to confuse our ideological stereotypes of either left or right. These were quite statist regimes implementing a relatively high level of equality. Yet they were often military regimes closely collaborating with big business, suppressing communist, socialist and liberal parties and unions. They still confuse left and right. Some neo-liberals assert that India and China are prospering because they have recently liberalized their economies (eg Dollar and Kraay, 2001). But their growth started **before** they began to open up their markets. Indeed, it was this earlier phase which gave them the confidence to open up, since they could now withstand foreign competition. Even now they have only partially liberalized. Note also that this transition from statism to a degree of liberalization was accomplished by political parties that remain highly statist in their whole orientation – the Chinese Communist Party, the Indian Congress Party and the BJP (Hindu Nationalist Party). These are not “liberals” -- indeed, they have traits which seem highly undesirable to Western liberals. These are distinctively Asian patterns of state/society relations, which have been very conducive to development.

So there is no single global blueprint for development. I turn briefly to broader quantitative studies of economic growth across the South of the world (see, for example, the rather different perspectives of Dollar & Kraay, 2001, and Rodrik, 1996, 2001, 2002). These show that a country's economic growth is correlated with **both** its extent of foreign trade **and** the size of its state. States and markets both seem good for your economic health. But no-one has yet been able to show that growth is correlated with **free** trade: there is no correlation between economic growth and tariff levels (though some think this is only a measurement problem). Trade is obviously good for growth and autarchy a disaster. But it might be often better to protect your infant industries, subsidize your exports, discourage short-term capital flows etc. etc. – if you can do it efficiently and if you can get away with it. But it is easier to mount such statism if your nation is relatively homogenous and egalitarian, as in East Asia.

### **Latin America After 1945: The Structural Crisis**

We now return to Latin America, which in the post-1945 period has been a region of neither great state failure (as in Africa) nor great state success (as in East Asia). Latin American economic growth rates have been disappointing over several decades (notwithstanding some brief spurts). This has been accompanied by political stagnation. There were no decolonization pressures in the 20<sup>th</sup> century, states remained quite weak infrastructurally, and there was oscillation between democratic and more despotic military regimes, though we are now in a phase of democratic upswing which will hopefully endure. Finally, gross inequalities endure, as

we saw in Table 2.

Yet Latin American inequalities have recently changed in form and so present more danger to the social fabric. First, they have been brought more into the cities. The disparities in wealth and culture which had been traditionally found between regions were brought by massive waves of rural-urban migration into every city of the continent. This means that violence is no longer predominantly concerned with the relations between center and periphery. Violence is now endemic in the center itself, not so easily coped with by repression. It undermines the fabric of even the capital cities. States respond to violence with repression, and so state agents themselves subvert the legal and policing infrastructures through human rights violations. Since some rule of law endures, those advocating repression find it more convenient to operate covertly, in the form of semi-autonomous “death-squads” and paramilitaries. State legal and policing infrastructures begin to actually fragment. This has happened intermittently in countries like Argentina, Uruguay, Guatemala, Peru and, of course, Colombia.

Second, violence has been intensified by the waning of cultural support for large inequalities. This is partly the result of urbanization, bringing rich and poor to live and work alongside each other, sharing in elements of a common culture, partly national but also global. But we must also consider influences exerted by the hegemonic world Power. The US offers to the world and to this region in particular (its own “backyard”) a culture which in an individual and inter-personal sense is quite egalitarian – the cult of the common man, and recently of the common woman too. Consider movies, for example. European movies remain highly stratified. Most of the European foreign-language movies which are exported are “high art” ones, mainly dealing with the lives of the intelligentsia, and consumed here by elites. British movies have remained reluctant to embrace working class people as heroes. The heroes of British war movies are officers, and working class accents are used for comic effects. The preference is now for “classics” in which the heroes are gentlemen from a past era. Yet Hollywood movies celebrate the GI, the ordinary cop, the truck driver, the waitress. Clint Eastwood is the quintessential American heroic actor, playing working class or classless roles. American consumer capitalism is also very effective at exporting goods which are affordable to almost everyone, offering a style of personal self-affirmation, especially to young people. Music, movies, jeans, t-shirts, drinks offer assertive display of personal worth, regardless of class. In the American era, therefore, the cultural hegemony of upper classes and castes has lost some legitimacy. The notion that upper classes might be entitled to their wealth because they are more civilized, sophisticated or intellectual would be easier to maintain if we all watched French rather than Hollywood movies. But in American movies wealth is only legitimate if it results from hard work, either by oneself or sometimes one’s parents. But wealth is never justified by cultural superiority, which is the traditional Latin American justification. Cultural egalitarianism has a corrosive effect on Latin American acceptance of inequality, alongside urbanization.

On the other hand, US corporate capitalism and US foreign policy has tended to pull in the opposite direction. The US privileges a very capitalistic form of democracy, putting property rights at the center of democratic rights, and being relatively unconcerned with policies reducing inequalities. This tends to frustrate what American culture promises: the possibility of

achievement for all. US policy biases were particularly evident during the Cold War when the US focused on protecting business and property rights, and tended to identify social and political movements seeking to redistribute wealth or effect land reform as potentially “communist”, to be fought against and subverted. The direct residues of that struggle are still found in Cuba – and in Colombia, where the US clearly dislikes the leftist guerillas more than the rightist paramilitaries (though the latter are now believed to be committing most of the murders).

From Chile to Cuba and Nicaragua, the US discouraged center-leftism of the kind which had played such a large part in bringing a common sense of citizenship to most of the West. Yet the US cannot be blamed for the corollary failure of “center-rightism”. Until very recently the power of landed oligarchies and a very conservative Catholic Church prevented anything comparable to European Christian Democracy, which finally, after 1945, encouraged class compromise and a mildly progressive paternalistic statism. But the combination of strong continental rightism and US anti-communism stifled those center-left and center-right forces which in Europe had generated the much lower Gini coefficients we saw in Table 2.

The sociologist Robert Merton (1957: Chaps 4-5) produced a classic analysis of crime in the US. He argued that the cult of material achievement for all was blocked by the real and obvious inequalities in Americans’ ability to achieve success. American culture, he argued, did not socialize people as strongly into respect for norms prescribing legitimate means of achieving success. Therefore driven by the cultural need for material achievement, people turned to illegitimate means, and to crime. This model can be roughly applied to the current upsurge in Latin American criminality. Millions have migrated to the cities, sharing for the first time in a common consumer culture. Yet Latin American societies remain deeply unequal. Most of the poor are now free of cultures of deference and rural repression. More independent, more hidden in the cities, many of the poor now seek success through illegitimate means, materially-oriented crime. Occasionally, the poor can be politically mobilized, though not usually very stably or effectively (as in Venezuela under Chavez). But, if reformist socialist parties remain weak, such populist upsurges will probably become more frequent, more violent and more problematic for democracy.

Some current trends offer more hope. Since communism is no longer a threat, the US might relax its hostility to the center-left. In recent years it has certainly been more active in pressing for democracy, while a new commitment to human rights is also impacting on foreign policy<sup>1</sup>. Large parts of the Church have also shifted toward more socially-conscious and more democratic policies. These are surely encouragements toward centre-left and centre-right policies of citizenship, which in better times might lead to an easing of Latin America’s “structural crisis”.

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<sup>1</sup> Though unfortunately its post September 11 policy of demonizing “terrorists”, and not “state terrorists”, tends to undermine a generalized commitment to human rights. The Bush administration is now being tempted by “mission creep” over the line previously drawn between counter-drugs and counter-insurgency operations.

However, two further hammer-blows have been felt.

## Two “Situational Crises”: Debts and Drugs

An economic crisis arose quite suddenly at the beginning of the 1980s and remains today. It was initially generated by the traditional infrastructural weakness of the Latin American state. Its inability to finance itself adequately by taxation has intermittently led to excessive borrowing, and so to debt crises. Yet the continent’s current debt crisis was greatly intensified by unexpected outside forces in the form of volatile interest rates set within the West, especially the US. Very low interest rates were succeeded by high ones when the US Fed Chairman Paul Volcker raised interest rates in 1979. Latin American governments suddenly faced huge debts. The indebtedness remains today. Northern creditors want to be paid. This is the normal power relationship we find between creditors and debtors. It now threatens to undermine Latin American states’ infrastructural powers.

The calling-in of the debts hit harder because of another external force. It occurred at the high-point in the United States of neo-liberal economic theory, surging in response to the failures of Keynesian economics – and by the failure of Latin American import substitution policies. It has proved especially strong in the US, where it is seen not merely as sound economics but also as part of freedom itself. Of course, like any other state, the US does not apply neo-liberalism to its own economy (as we recently saw when it slapped tariffs of up to 30% on foreign steel imports). But under American leadership, the IMF, the World Bank and other lending institutions have offered credits and loans to foreign governments provided they adopt neo-liberal economic packages. They must open product, capital and labor markets to market forces, they must privatize state enterprises, they must cut income taxes, and they must slash government expenditure. These constitute the structural adjustment programs recently dominant among international economic institutions.

As economic theory, neo-liberalism has both strengths and weaknesses. But there can be no “one model fits all” solution to economic problems. Success depends on the particular set of resources (factor endowments) of each country. I have suggested that in the post-1945 period the most successful economic development came from policies embodying much greater statism than envisaged by neo-liberalism. Yet that statism was buttressed by relative homogeneity and equality, and it was this **combination** which increased state capacity and economic success. In Latin America the situation differs. Its debts must be restructured, while some market-oriented policies make more sense here than in East Asia. Statism **is** more suspect here, since it involves more corruption and cronyism. On the other hand, market-oriented policies in which people bring such different resources to the market are prone to widen inequalities still more. Yet inequalities are already at dangerous levels threatening the social fabric. To adopt the **entire** neo-liberal program would almost certainly increase inequality and social conflict, at least in the short-run. This is acknowledged by most neo-liberals themselves. They accept that trickle-down economics take time to trickle down to the poor. Their willingness to accept the short-term consequences gives them their bad reputation among those who speak in the name of the poor.

Neo-liberals defend themselves by saying that their policies will produce growth, which is obviously good in the long-run for most people. But maybe, before then, the long-run would be subverted by rising inequality, violence and disorder.

Though we cannot be certain about the consequences of such policies, we can derive from the experience of Northern countries the clearest evidence of the effects of neo-liberalism. Here I refer to the three types of Northern country distinguished in Table 2. The US and the other “Anglo-Saxon” countries have embraced far more neo-liberalism in recent decades. Their inequality has widened considerably. The Social Democratic countries of Northern Europe have embraced least, and their inequality has barely widened at all. Between them, with moderately widening inequality, lie the Christian Democratic countries of continental Europe (see Mann and Riley, 2002, for further details).<sup>2</sup> In the West neo-liberalism seems to widen inequality.

In Latin America the results are not as clear. No democratic politician in the continent could get re-elected if he embraced the whole package, and so none have done so. Even General Pinochet, who did not face re-election, balked at some of it. In fact, the usual result of negotiations between Latin American governments and the international banking community is a compromise. Usually a government agrees to open capital markets, reduces or eliminates some tariffs, introduces tax reforms and engages in some privatizations, while protecting other state expenditures, especially welfare expenditures. The Colombian government seems to have yielded more than this, since its mixture of privatizing some services and delegating others to poorly-funded regional governments seems to be reducing health and education services. This obviously widens inequalities. But the effects of the various national packages seem rather mixed. Some seem to have a mildly positive overall effect; others (like the recent Argentine case) seem to get the worst of both statism and markets, and so deepen crisis. Ye overall, almost all economists say that across the continent the reforms have widened inequality, either substantially (Berry, 1998; Bulmer-Thomas, 1996) or slightly (Spilkimberger, Londoño and Székely, 1997). This is not good news for a continent already containing great inequality and growing violence.

Morley’s (2001: 46-50, 84-6) careful disaggregation of the various policy components suggests that the tax reforms have the most inegalitarian effects. Reducing marginal rates of taxation (in order to encourage investment), and reacting to budget deficits by slapping on VAT, is doubly regressive, since the rich are excused the higher marginal rates, while the poor spend more of their income on basic consumer goods and so pay proportionately more VAT. Opening up trade has been somewhat regressive, especially in agricultural goods, and it also tends to widen skill differentials within the market – which has become especially clear in Mexico since NAFTA

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<sup>2</sup> These variations mean that widening inequality is not a necessary result of globalization, but of its interaction with national and regional political cultures. In fact globalization does not sweep away or even undermine nation-states (see Mann, 1997). This is because globalization universalizes not only capitalism but also the nation-state across the world. Indeed, the word should always be written in the plural, as globalizations.

began. Capital account opening seems to have led to more investment. This seems to slightly narrow inequality – though it does lead to foreigners owning more of the national resources. The other policies have smaller and more variable effects, according to each country's factor endowments. But overall structural adjustment programs do seem to widen already large inequalities. They are thus dangerous in this continent.

These are complex issues on which I do not claim technical expertise. But it seems that neither the traditional Latin American version of statism nor the neo-liberal solution of simply opening up markets and cutting back the state is likely to generate much broadly-based development. The most ideal policies would increase **both** market competition **and** state infrastructural powers. Among the latter would be genuinely universal citizen rights to welfare, for these can nourish a genuine sense of the nation, as well as encourage mass domestic consumption markets. And underlying this would be policies geared specifically at lowering inequality – as example, through expanding labor-intensive industries and middling levels of education.

But Colombia and its neighbors are now also struggling with a second situational crisis, one essentially caused by forces within the US rather than Latin America. Serious agrarian conflict existed already in Colombia, and to a lesser extent in Peru. But the US has intensified it by exporting its drugs problem to Latin American countries whose remote rural areas grow the coca from which cocaine can be refined. The product is then exported back to the US to satisfy its large market demand. Heroin is a spin-off from Colombia's comparative advantage in this type of agriculture. In other circumstances, such demand might provide considerable economic benefit to Colombia, and some also to Peru and Bolivia. This would happen if drugs were treated like alcohol, legalized but controlled. Then Colombian farmers and businessmen could prosper through legitimate industry – as they do through the global market for a comparable product, cut flowers. Instead they must place themselves under the protection of armed gangs, intensifying a virtual civil war.

But the US will not legalize drugs. Nor will it even spend large sums on the treatment of drug addicts. It tries instead to outlaw and repress the suppliers. Thus the North American demand for drugs is satisfied through illegal channels, and Colombian farmers are forced to seek protection from armed gangs. Some of these are the remnants of the continent's leftist guerillas, some are the opponents of these, rightist paramilitaries, some are criminal mafiosi, some are corrupt government officials and soldiers. The last peasant war of the continent entwines with the first post-modern drugs war and with *caciquismo*. This is not only an American problem, for European demand for drugs corrupts Afghanistan and Pakistan in similar ways. In both Latin America and Asia, the demand and the policies of the Northern Powers intensifies civil conflict and reduces the infrastructural power of states. Legalize drugs and Colombian (and Afghan) problems become reduced down to the normal level found in their continents. That is the most constructive policy that the US could initiate toward Colombia.

But drugs remain morally taboo. The US, Britain and the other European countries will not legalize them but continue exporting their drug problem to poorer, less powerful countries. Given that this will endure, the best those countries can do is to extract a good price in aid for

assisting a highly repressive crop eradication program. “Plan Colombia” supposedly combines repression of so-called “narco-terrorists” with incentives for farmers to grow other crops. So far, repression has dominated over incentives, and it is not working. According to the White House Office of Drug Control Policy, the area under coca cultivation actually increased by 25% from August 2000 (when the Plan came into effect) and December 2001. A more genuine dual policy of repression and incentives might conceivably work in the limited sense of exporting the drug problem elsewhere, to Peru or Bolivia perhaps. Eventually, if the US pursues its programs in those countries too, cultivation will probably return to Colombia again. The level of North American demand probably makes this easily the most profitable crop which poor South American farmers can grow. Ditto with the heroin poppy in Asia.

Again, the drugs war confounds our normal ideological stereotypes. Any neo-liberal theorist would tell us that in the contemporary globalizing world, state repression cannot easily eliminate such powerful market forces of supply and demand. But, as any leftist would observe, the guerillas are locally rooted in the class struggles of poor peasants and rural laborers in marginal and newly colonized areas of the country against large landlords; while the paramilitaries are locally rooted in defence of the landlords and richer peasants (González, 2002). These roots could be severed – but only by addressing the agrarian problem underlying their struggles. Again, the core of this problem is inequality and poverty. And if the obvious market solution is unacceptable (let them grow coca), statist agrarian reform becomes necessary. But Plan Colombia opts in practice for state repression. So the state is becoming much better-armed, but it remains fragmented, unable to routinely penetrate many rural areas. Neither national solidarity nor effective state infrastructural power will come merely from the barrel of a gun, though the Colombian state, backed by the US, is increasingly trying that strategy. It will not work because it does not address either the market or the class roots of the problem. Though the drugs war brings an unexpected crisis to Colombia, in another sense it merely exacerbates the deep-rooted structural crisis of the whole continent.

## Conclusion

I have argued that the main problem of Latin American government today lies not on the dimension of **despotic/democratic state power**. Representative democracy is now quite well-entrenched over the continent. Though Colombia is beset by what many call a civil war, it actually manages to continue holding elections in all its provinces. Indeed, some areas which are viewed as being controlled by guerilla or paramilitary forces elect into office politicians opposed to these forces!<sup>3</sup> True, Latin American states fail to adequately represent the interests of their poorer citizens, and this is a failure of democracy. But this is because the central problem lies deeper, in a structural crisis of the nation-state, ie in both the **nation** and in **infrastructural state power**. State infrastructures are only in principle universalistic – in practice they do not penetrate evenly across state territories. Police and justice infrastructures are undermined by

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<sup>3</sup> I am grateful to Francisco Gutiérrez for this information.

violence, to which state agencies respond by infringing human and legal rights in a way that tends to fragment state authority. Taxation and social service infrastructures are undermined by corruption and cronyism, providing privileges to clients. Law is undercut by violence and bureaucracy by patrimonialism. Underneath, the nation is divided and weakened by enormous inequalities, greater than anywhere else in the world, also leading to violence, so further undermining state and nation.

Thus the main challenge for Latin American states has remained unchanged over 200 years, in fact since independence. It is how to incorporate their diverse populations into a genuine national citizenship, which can sustain the infrastructurally powerful states which can become fully democratic. The biggest obstacle in this continent is not political conflict between different ethnic or religious groups fighting over whose state it is. This is the problem in some other parts of the globe. But in Latin America there are ethnic wars only in a few peripheral areas. Rather, the level of inequality between the classes generates the main problems. Though these classes do often still have an ethnic tinge, they increasingly inhabit the same cultural universe and the same geographic space of each country. Inequalities are somewhat widened by neo-liberal economic policies, though traditional statism was not much better. And the drug wars have reinforced traditional social wars. The combination produces “the Colombian crisis”. Yet, as I have argued, this is only the most serious form of a crisis that is really continent-wide.

My comparative analysis of modern nation-states leads inescapably to the conclusion that success in terms of infrastructural power comes to states with relatively homogeneous and relatively egalitarian societies. To foster that – through economic, political, military and cultural reform -- must be the main task of the 21<sup>st</sup> century across Latin America. Without that, not merely economic development but even the very social fabric becomes endangered.

**Table 1: Two Forms of State Power: Despotic and Infrastructural Power**

<b>Despotic Power</b>	<b>Infrastructural Power</b>	
	<b>Low</b>	<b>High</b>
<b>Low</b>	Feudal	Bureaucratic
<b>High</b>	Imperial	Authoritarian

Source: Mann, 1984.

**Table 2: Inequality in Latin America, East Asia and the West: Gini Coefficients, 1970-1998**

Country	c1970	c1980	c1990	1996-98
Argentina	39	42	43	47
Brazil	50	57	61	60
Chile	48	50	55	56
Mexico	52	47	47	53
Peru	50	49	45	51
Venezuela	49	40	39	43
<b>Latin American Average</b>	<b>48</b>	<b>48</b>	<b>48</b>	<b>52</b>
(Colombia)		(52)	(40)	(48)
Japan	36	34	36	30
South Korea	35	38	34	
Taiwan	30	28	31	32
India	48	42	32	
<b>Asian Average</b>	<b>37</b>	<b>36</b>	<b>33</b>	<b>31</b>
United States	38	40	42	46
Other Anglo-Saxon States	33	34	34	38
Europe: Christian Democratic States	35	30	28	30
Europe: Social Democratic States	33	29	29	30

**Note: The higher the figure, the greater the inequality.**

**Data Source** (except for Colombia): UN WIDER study (World Income Inequality Data-Set), which is based on national surveys of household incomes.

Colombia data drawn from CEPAL data-set, which generally produces lower Gini coefficients than the WIDER study. Coefficients were drawn from the years 8-2 around each new decade. Where figures were available for more than one year in this period, they were averaged. I have dropped the decimal point from all coefficients.

Other Anglo-Saxon States = UK, Australia, Canada, New Zealand.

Christian Democracies = France, Germany, Italy, Spain.

Social Democracies = Norway, Sweden, Denmark.

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The Latin American countries soon found their debt burdens unsustainable (Devlin and French-Davis 1995).<sup>1</sup> As the crisis spread beyond Mexico, the United States took the lead in organizing an "international lender of last resort," a cooperative rescue effort among commercial banks, central banks, and the IMF. Under the program, commercial banks agreed to restructure the countries' debt, and the IMF and other official agencies lent the LDCs sufficient funds to pay the interest, but not principal, on their loans.<sup>2</sup> By 1989, it was also clear to the US government that the debtor nations could not repay their loans, at least not while also rekindling economic growth. The Latin American debt crisis (Spanish: Crisis de la deuda latinoamericana; Portuguese: Crise da dívida latino-americana) was a financial crisis that originated in the early 1980s (and for some countries starting in the 1970s), often known as La Década Perdida (The Lost Decade), when Latin American countries reached a point where their foreign debt exceeded their earning power, and they were not able to repay it. Today, all Latin American diplomatic initiatives of the early 21st century are in crisis as a consequence of drastic political changes, especially in the South American countries. Venezuela has been isolated since only Bolivia and Uruguay maintain progressive governments, and the scenario became more adverse with the Trump administration's policies in the region, which do not hide the US government's interventionist bias.<sup>3</sup> In fact, Venezuela seems to have become a testing ground for the new foreign policy of the United States in the face of its geopolitical rivals, China and Russia. Trump wants to make it clear to Beijing and Moscow that Latin America must once again be a sphere of US influence and remain so.