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Undoing the Damage: The Growing Backlash to Neoliberalism in Latin America

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Abstract

This paper looks first at the criticisms of neoliberal structural adjustment articulated by the leaders of Latin America's Jesuits in 1996, and reports on evidence suggesting their criticisms remain valid a decade later. The paper then documents ways in which neoliberal hegemony is being challenged in the region. This section discusses changes in the political landscape, the rise of grassroots movements including the World Social Forum, the influence of organized labor, weakening of international financial and trade institutions, and growing heterodoxy in academic economics.

Mexico City, October, 1996. With the Father General of the order present, the superiors of all 18 Latin American provinces of the Society of Jesus issued an urgent letter on neoliberalism. The letter was addressed to all those in the Americas participating in the Jesuit enterprise and "those who make common cause with our people, especially the poorest" ("Letter and study," 1997, p. 43).

The letter contained biting criticisms of the neoliberal model of economic globalization and the model's ubiquitous implementation in Latin America. While admitting that economic liberalization seemed to be having some salutary effects at the macro level, their aim was to highlight the harm being done to the people in the region, especially the poor (LoBiondo, 1997). In a Reflection that accompanied the letter ("Letter and study," 1997), the Jesuit leaders expressly condemned aspects of the ideology underlying neoliberalism which are "incompatible with the Christian ideal":

Neo-liberalism, as it is understood in Latin America, is a radical conception of capitalism that tends to absolutize the market and transform it into the means, the method, and the end of all intelligent and rational human behaviour. According to this conception, people's lives, the functioning of societies, and the policy of governments are subordinated to the market. This absolute market disallows regulation in any area. It is unfettered . . . This current of thought and action tends to turn the economic theory . . . into a total ideology (p. 48).

The Latin American Jesuits call to the Americas was a call to action as well as a critique. They laid out the parameters of a project to right the situation from an ethical and religious perspective.

Neoliberalism, a term unfamiliar to most Americans (although the ideology's strongest adherents are to be found in the U.S.), describes the economic regime that began to dominate globalization in the late 1970s, when neoconservatives swept to power in the U.S., Europe, and Asia (e.g., Reagan, Thatcher, and Deng Xiaoping). Over the next two decades neoliberal practices would be extended forcefully to the developing countries of Latin America (Falla, 1997; Harvey, 2005).

In their letter of November 1996, the Jesuit superiors condemned neoliberalism's failure to address the problems of Latin America's masses mired in poverty. They noted that, at the time, 180 million people (43.5%) in Latin America (and the Caribbean) lived in poverty, and 80 million (19%) lived in extreme poverty ("Letter and study," 1997). They suggested that the neoliberal regime had positively contributed to "immense majorities . . . excluded from a worthy human life" (p. 48).

Poverty is still staggering in Latin America. The latest U.N. figures indicate that over 35% of the population is poor: 184 million living in poverty, and 68 million living in extreme poverty. The percentages have moderated somewhat (34.1% and 12.6% respectively in 2007) (ECLAC, 2008a and 2008b). Recent inflationary upticks in many Latin

American countries, and especially the startling increases in food prices, are predicted to cause millions more to fall beneath the poverty line (ECLAC, 2008a; UN Report, 2008; "Food Price," 2008). Furthermore, it should be noted that, using a measure of relational poverty (wealth distribution), the extent of poverty in the region has not changed since the Jesuits wrote. For example, applying a commonly-used cutoff of 60% of median income, the percentage of Latin Americans living below the poverty line has remained constant for almost two decades.

Confirming the observation that neoliberalism failed to alleviate poverty are the results of a 2005 poll of Latin Americans conducted for *The Economist* magazine by the Chilean non-profit pollster Latinobarómetro. Fifty-six per cent of respondents indicated that their monthly family income was insufficient to cover basic necessities (Latinobarómetro, 2005). In the most recent poll, respondents in every country of Latin America indicated that economic issues still comprised the most serious problem they face. Over 90% of respondents worry that the price of food could erode their standard of living (Latinobarómetro, 2008).

In their letter and Reflections, the Jesuit superiors described and critiqued a menu of "neoliberal measures" that had been imposed on their countries. The neoliberal regime stemmed from the third-world debt crisis in the early 1980s. The crisis exposed Latin American governments to a wave of neoliberal discipline at the hands of international financial institutions (e.g., IMF, World Bank, Inter-American Development Bank). The discipline came in the form of "structural adjustment," a term used first by Robert McNamara, World Bank president in the late 1970s. It refers to "a set of lending practices whereby governments would receive loans if they agreed to implement specific economic reforms." (Babb, 2005, p. 200).

The Jesuit provincial superiors listed seven structural adjustment measures they believed had caused adverse consequences for the populations of their countries (see Gent, 2007, for a more detailed treatment of this material). In the decade that followed, these measures and their consequences have perdured, albeit with wide variation from region to region. The situation in Central America has been the most severe, that in South America the least.

1. State intervention in the economy restricted.

The provincials reported that in some cases the state was being stripped of responsibility to provide basic goods. This phenomenon has proceeded unremittingly during the last decade. One manifestation is the movement by national governments to decentralize. Two waves of decentralization have occurred under neoliberalism. The first concentrated on basic services and infrastructure (waste management, urban roadways and transportation). The second wave, beginning in 1996, has concentrated on urban and regional transit, water, health-related services, and education (Lora, 2007). The burden of decentralization on local governments has led to increased privatization and public/private partnerships. In many cases what services continue to be provided at the national level are narrowly targeted toward the very poor. In health care there has been an impulse to replace public with private, for-profit insurance plans, along with user fees.

2. Privatization of State enterprises.

Latin America has been the world leader in this linchpin neoliberal practice. In the 1990s economic activity in state-owned companies in Latin America dropped by half, while the region accounted for over half of the total privatization revenues in the world. Countries sold out holdings both in the competitive sector (e.g., manufacturing and finance) and in the monopoly and utilities sector. During the neoliberal regime in Latin America there has occurred a perversion of intent regarding privatization: the process often involves collusion between the government and local businesses, so that the end result is a non-competitive concentration of ownership (Babb, 2005; Taylor, 1999). In addition, the privatization of state-owned firms often leads to downsizing and worker layoffs (Chong & Benavides, 2007). Privatized firms have tended to be extremely profitable, partly due to efficiencies gained from shedding employees. Babb (2005) suggests that displaced workers do not find jobs in the private sector, but rather in the informal sector, "replacing stable, state-regulated jobs with a form of employment that tends to be precarious, poorly paid, and less productive" (p. 212). Regarding attitudes toward privatization, fewer than a third of Latin Americans in a 2008 poll were at all satisfied with the price and quality of privatized public services. And large majorities remain opposed to the privatization of education, health, water, pensions, and utilities. ("Democracy," 2008; Latinobarómetro, 2008).

3. Removal of restrictions across national borders on merchandise, capital and financial flows.

A primary example of this tendency pertains to tariffs on imports. Tariff rates in Latin America fell from an average of roughly 50% before neoliberal reforms to barely 10% by the 2000s (Lora, 2007; Melo & Rodriguez-Clare, 2007). Restrictions on foreign investment, direct and portfolio, were abolished, and taxes on foreign earnings from dividends, interest, and royalties were reduced or eliminated in the 1990s (Lora, 2007, p. 192). It should be noted that through 2007, there was a five-year period of "reasonable growth" in Latin America's economy (5.4% per year on average), accompanied by current-account surpluses and relatively low inflation. According to *The Economist* magazine, these

conditions should help the region be “less exposed to sudden squalls” from capital flight than it was in the recent past (“The democracy dividend,” 2006). Data from ECLAC, however, shows that foreign investment in Latin America and the Caribbean continues to fluctuate. In 2007 it jumped over 40% to \$106-billion; but this still represents a smaller percentage of GDP than in the 1990’s (ECLAC, 2008a).

4. Neoliberal agenda silent on problems of foreign debt.

Latin American foreign debt amounted to \$720 billion in 2007, roughly equivalent to 20 per cent of the region’s GDP (ECLAC, 2008a). Between 1982 and 1996, Latin America paid creditors \$730-billion dollars, mainly in interest (Asper, 2005). The Jesuit provincials pointed out that servicing foreign debt requires cutbacks in social spending. Especially when the debt is in foreign currencies, countries are forced to emphasize spending on export activities and not on social institutions.

Latin America has not been left out of the international debt relief movement. Four countries (Bolivia, Guyana, Honduras, Nicaragua) have recently been recipients of debt cancellations from the World Bank and the Inter-American Development Bank (IDB). They are among those countries designated as “heavily indebted poor countries” (HIPCs), eligible under the Multilateral Debt Relief Initiative (MDRI) committed to by the G-8 participants in 2005. Two caveats, however, are in order. One, the amount of debt relief is far from 100 per cent. The European Network on Debt and Development indicates that overall MDRI will reduce the debt of HIPCs by an average of 40%, whereas for HIPCs in Latin America, the figure drops to 20-30%. Two, to qualify for debt reduction, HIPCs have to agree to, and demonstrate performance on, strict structural adjustment programs determined by the IMF, including more privatization and increased trade liberalization (Tan, 2006).

5. State fiscal, economic activities subordinated to macroeconomic concerns.

Strict neoliberal orthodoxy requires national governments to balance fiscal budgets, reduce inflation, and maintain a stable balance of payments. Along with privatization and deregulation, these measures comprise the essential features of neoliberal structural adjustment. There seems to be no backing off by IFIs regarding the necessity for third world borrowers to adopt a macroeconomic focus. And speculative investors, especially “portfolio” investors, continue to require Latin American governments to provide a climate of “extreme market friendliness” or face the prospect of capital flight (Babb, 2005).

One study has sought to evaluate the impact of structural adjustment programs (SAPs) in 112 developing countries, including a dozen in Latin America (Bulir & Moon, 2004). The investigators found that in countries that undertook “belt-tightening” without IMF-imposed SAPs, government expenditures declined and revenues increased modestly. But, interestingly, in IMF program countries with imposed SAPs, revenues declined, and very sharp expenditure compression was used to partially offset the revenue declines! The researchers comment that IMF-imposed SAPs, even accompanied by technical fiscal assistance, may fail “to bring about sustained fiscal improvements, especially if the reforms were not supported by the public” (p. 395).

6. Elimination of legislative barriers designed to protect workers.

This is another structural adjustment designed to incentivize private investment. Latin American countries generally have boiler plate ILO-inspired labor legislation on the books; but the perception is that enforcement is practically non-existent. The Latinobarómetro poll for 2005 showed that only 18% of Latin Americans believe that workers are adequately protected by labor laws in their countries. Structural reforms pertaining to workplace issues have involved new labor legislation that makes labor more “flexible” and is ostensibly “designed to make it easier for labor markets to adjust to the changing structure of production” (Gindling, 2005, p. 210; Harvey, 2005). Typical provisions, however, include expanding reasons for legally firing workers, reducing severance pay, allowing temporary and contingent workers, and curtailing the right to strike!

Related to worker protection is the specter of unemployment in Latin America. As recently as 2007, unemployment was seen as a problem by over 50% of the population in most countries of Latin America. Furthermore, in 2008 40% of survey respondents expressed concern about personally being unemployed during the following 12 months (Latinobarómetro, 2008).

7. Reduction of taxes for powerful groups.

Intended to stimulate the economy, this measure, according to the Jesuit provincials, leads to greater concentration of wealth and power. Cutting taxes on the powerful has not led developing countries to eschew taxation, however. An IDB working paper reports that “to offset the revenues lost through removing tariffs, they have reformed their taxation systems to more effectively extract resources, commonly replacing taxes on income and wealth with more easily administered (but more regressive) value-added taxes” (Babb, 2005, p. 202).

Summary

The provincial superiors of the Latin American Jesuit provinces summed up their appraisal of the neoliberal economic regime as a “growing repudiation of the general direction of the economy which, far from improving the common good, is deepening the traditional causes of public discontent: inequality, misery, and corruption” (“Letter and study,” 1997, p. 44). Latin Americans appear to be reaffirming the provincials’ observations by registering their discontent with the system. In poll after poll, almost three quarters of the respondents have said their countries are governed, not for the good of all, but rather for a few powerful groups (“The democracy dividend,” 2006; “Democracy,” 2008). Ironically, on average Latin Americans, throughout the last decade, continue to believe that it is more the state’s obligation than the market economy’s to solve social problems in their countries (Latinobarómetro, 2008).

Earlier in this paper it was pointed out that relational poverty, an indicator of income inequality, hasn’t changed in the region over the past quarter century. ECLAC’s Social Panorama (ECLAC, 2006) suggests that several countries in Latin America have achieved improvements in distribution in recent years, “although small.” But, it also admits that “Latin America’s highly inequitable and inflexible income distribution has been . . . greater than that seen in other world regions” (p. 14). Echoing ECLAC’s assessment, the 2007 United Nations Millennium Development Goals Report states that among all developing areas income inequality remains highest in Latin America “where the poorest fifth of the people account for only about 3% of national consumption” (United Nations Department of Economic and Social Affairs [UN Report], 2007, p. 8). Structural adjustment, along with technological advances, have increased the returns to assets that are most productive (e.g., education and capital)—assets that the poor lack.

Part of the misery referred to by the Jesuit provincials pertains to unstable social capital: scarce, low-quality education, ‘dismal’ health conditions, destruction of natural resources. During the decade since their letter was distributed, some advances have been made in Latin America. Primary school enrollments have grown from 87% in 1991 to over 90% in 2008 (Gindling, 2005; UN Report, 2008). The news is not as good for secondary education, where barely two-thirds of high-school aged children attend school. This statistic is of particular concern in light of an ECLAC estimate that a minimum 10 years of schooling is necessary to pull a person out of poverty (UN Report, 2008; also see Gindling, 2005, p 222).

On the health front all countries have made progress in reducing child mortality, from 54 deaths per 1,000 births in 1990 to only 31 in 2005. Also, by 2005 89% of women giving birth were attended to by skilled practitioners (UN Report, 2007). In general, however, neoliberal-inspired decentralization and privatization of health care has had negative consequences in Latin America. Structural adjustments in this area, “in the name of cost-cutting and efficiency promotion have made access to health services extremely difficult for millions of poor people” (Nuruzzaman, 2007, p. 70).

Ecological degradation is an old problem in Latin America; but the pace of the problem has been accelerating, seriously threatening biodiversity and adding to greenhouse gas emissions. Carbon dioxide emissions in Latin America have increased from 1.7 billion metric tons in 2000 to 2 billion in 2005 (UN Report, 2008). And, the area of land in the region covered by forests has dropped precipitously from 50% in 1990 to 46% in 2005 (UN Report, 2007).

In sum, the record shows that much of what alarmed the Jesuit provincials in 1996 has continued well into the first decade of the new century. But since they wrote, multiple forces in Latin America have emerged or strengthened to challenge neoliberal hegemony, or at least to modify its extreme market orientation in favor of an approach that recognizes the importance of social criteria.

Challenges to Neoliberalism in Latin America

Regional political and economic conditions

In their letter the Jesuits complained that, in the 90s, leaders in the region were “usually linked to these movements of globalization and imbued with the wholesale acceptance of the market logic” (“Letter and study, 1997,” p. 45). Since then the political landscape of Latin America has transmogrified significantly, especially in the last couple of years. The change has been led by stunning electoral victories by populist candidates. None of the “leftist” winners are economic bomb throwers (Shifter, 2006). Bachelet in Chile, Vasquez in Uruguay, Garcia in Peru are not only overtly “market friendly,” but their countries either have or are seeking bi-lateral trade agreements with the U.S. In Brazil, Lula da Silva was elected to a second term due in part to income-transfer programs for the poor. His economic policies, however, are pleasing to world financial markets, and manifest “noteworthy fiscal discipline.” The more radical camp, including Morales in Bolivia, and Correa in Ecuador, Fernando Lugo in Paraguay, and the resurrected Sandinista Ortega in Nicaragua, are being confronted by political and business realities that cause them to go slow in reversing neoliberal effects, and to adopt a pragmatic stance regarding economic policy. In Bolivia, for example, Morales’ nationalizing natural gas production hit a snag due to the state company lacking funding and expertise to manage the

gas fields. In Ecuador, after proclaiming he would default on international debt and use the money for social programs, Correa has succumbed to internal political pressure and committed to making the next scheduled payment (“Business partners,” 2007; Chang, 2007; D’Nan Bass, 2007; Lyons, 2007; “Rise of the Boligarchs,” 2007; Shifter, 2006).

Nevertheless, the coming to power of progressives portends a stepping back from the neoliberal orthodoxy that has held sway in Latin America for over two decades. It clearly is a repudiation of the forgetting of the concerns of the poor and middle classes that the Jesuits highlighted in their letter. The new leadership universally is looking for more “elbow room” regarding U.S. hegemony in the region. They are leveraging globalism to open up beneficial economic relationships, including technology and military exchanges, especially with India, China, the Middle East and Southern Africa. They have welcomed Cuba back as a player in the political and economic life of the region (Shifter, 2006; Renique, 2005; McMahon, 2006). Finally, the new progressive leaders have a mandate to adopt economic policies that, while supporting growth, give equal or greater attention to the social agenda.

Structurally, Latin America boasts the second largest customs union in the world, Mercosur, that generates the overwhelming majority of the region’s foreign trade. Mercosur, established in 1991, has five full members—Argentina, Brazil, Uruguay, Paraguay, and, soon, Venezuela—and four associate members—Colombia, Bolivia, Ecuador, and Chile. Mercosur has overseen a rapid increase in intra-common market trading—during the 1990s the increase was four-fold, from \$5 billion in 1991 to over \$20 billion by the end of the decade (Carranza, 2004; Wheeler, 2007).

Mercosur has evolved into more than just a trading bloc. Under the leadership of Brazil, it has sought to “stand up to the United States” (Carranza, 2004). It effectively ‘killed’ the Free Trade Association of the Americas (FTAA)—a NAFTA/CAFTA-like attempt by the U.S. to make the hemisphere one market with neoliberal rules that would definitely benefit the North. At the same time, Mercosur has been actively cultivating trade agreements with the EU, China, India, and the Southern Africa Customs Union (Hornbeck, 2008). As part of its mission, Mercosur is dedicated to “preserving democracy,” and played a key role in defusing coups in Paraguay and Venezuela. As the about-to-be newest full member, Venezuela is even more interested in an expanded role for Mercosur. At the summer 2006 meeting, Venezuela’s president Hugo Chavez trumpeted that “Latin America, united, has everything it needs to be a world power” (McMahon, 2006, p. 7).

Two pet projects being promoted within Mercosur by Venezuela are the construction of a trans-continental energy pipe line, and a new development bank to supplant the IMF and IDB. The pipeline initiative, according to the *Wall Street Journal*, is gathering dust on the drawing board (Luhnow & Lyons, 2007). The bank, however, was initiated by seven South American governments in December 2007, and dubbed the Bank of the South. So far there has been no agreement on which nation will provide what amount to capitalize the bank, nor has it decided on rules for lending. Brazil and Venezuela, both members, are at odds over how rigorous the bank will be regarding requirements for borrowers. As a reaction to recent U.S. market distress, funding for the Bank has essentially been put on hold (Neary, 2008).

For a number of years Brazil has been running its own development bank, that has come to rival the World Bank in loans made (it lent \$37 billion in 2007) (“Bolivarian finance,” 2007). In the face of the world-wide credit crunch, Brazil’s development bank recently has increased lending for trade financing—helping exporters acquire money needed to finance sales (Lyons, 2008). Brazil is also expanding its relations with Peru. It has encouraged and aided direct investment by Brazilian firms in Peru, and it is working with the Peruvian government on a project to build three highways linking Brazil and Peru’s Pacific ports (“Connecting,” 2008).

Venezuela and Argentina are special cases in Latin America—these two large South American economies have risen from the ashes of near economic collapse during the first few years of the 21st century; and in so doing have turned some of neoliberalism’s fundamental tenets on their head. When the Kirchner administration came to power in Argentina during the crisis of 2001-2002, its initial finance team faced down the IMF, IDB, investment banks, and the G-7, and engineered a “debt exchange” beneficial to the country. Argentina’s “boisterous pressure on foreign creditors” caused them to blink, and ended up with their reducing by half the \$85 billion owed (Hardy, 2006, p. 27). At the same time, Kirchner’s neo-Peronist government spent lavishly on social programs to aid the victims of the melt-down. Devaluation, low interest rates, along with strong world demand bolstered Argentina’s recovery, with exports leading the way. Kirchner’s finance team was committed to regional solidarity and was friendly to Chavez. Critics warned that current policies would fuel inflation. The government, in reply, said it would begin to slow public expenditures (Cavallo, 2005; Hardy, 2006; Horwood, 2006). In 2008 Argentina’s economy became anemic; growth slowed and inflation took off. In an attempt to quiet critics and lure external investment, Cristina Fernandez, Kirchner’s wife and successor as president, promised to repay \$6.7 billion in foreign debt (“Satisfying,” 2008). At the same time, in fall 2008, her administration nationalized the private pension system, and announced a massive public works plan

to create jobs ("Democracy," 2008; Neumann, 2008).

Venezuela has also been the beneficiary of positive external economic conditions, in particular the demand for oil. The price of Venezuela's oil exports rose almost eight-fold between 1999 and 2007 ("Rise of the Boligarchs," 2007). This windfall fueled the country's "Bolivarian Revolution," characterized by President Cesar Chavez as "petroleum socialism."

Among positive economic signs in Venezuela, the country's GDP grew by around 10% per year from 2004 - 2007, and urban wages are second only to Argentina's in the region (ECLAC, 2007). Although slightly less than half of Venezuelans are satisfied with the functioning of the business sector in their country, this is among the highest levels of satisfaction in Latin America (Latinobarómetro, 2008). The country has been actively *deprivatizing*. In 2007 it spent \$572 million to buy back the 29% share held by Verizon in the country's leading telecom company (Lyons, 2007). Not only has Venezuela shrugged off structural adjustment at home, but it is also taking steps to weaken the impact of IFI reforms in the region. Among other commitments, it bought almost one-third of Argentinean debt issued in 2005, it agreed to take on servicing Ecuador's foreign obligations, it provided Bolivia with \$800 million in aid, including low-interest loans, and it allocated \$1.6 billion in cut-rate oil to 18 nations in the region ("Business partners," 2007; Chomsky, 2006; Luhnnow & Lyons, 2007; Wheeler, 2007). Honduras, a traditional U.S. ally, is the latest to sign on with Chavez ("Zelaya," 2008).

It should be noted that recent opinion polls show Venezuelans growing disenchanted with Chavez's handling of the economy, especially with his spending abroad (Luhnnow & Lyons, 2007). On January 1, 2008, Venezuela debuted its new and improved bolivar fuerte. The new currency was intended to simplify transactions by simply dropping three zeros from the old bolivar! ("Venezuela's new," 2008). The move was also designed to curb inflation, but this outcome is unlikely. Inflation is expected to end 2008 at 30%, up sharply from 22.5% in 2007. The rate is the highest in Latin America. Fueling inflation in 2007 were rising oil export prices, the skyrocketing cost of food and consumer goods along with growing domestic demand (Pearson, 2008; Sanchez, 2008). The government's price controls on basic items, along with concerns about private property rights, have caused some domestic businesses to hold back on production, leading to shortages. This in turn has increased price pressures ("Venezuela's new," 2008).

Critics point out that much of the Bolivarian Revolution is posturing, demagoguery, cronyism and corruption. Friends of Chavez gain access to lucrative government contracts and import opportunities. Inflation stays high, and manufacturers and large farmers suffer under price controls, cheap import competition, and government harassment. Meanwhile, Chavez is showing autocratic, authoritarian tendencies ("Rise of the Boligarchs," 2007; Shifter, 2006). As a possible reproach to Chavez, his omnibus package of 69 constitutional amendments was defeated narrowly in December 2007. It was unclear exactly what the vote signified, but the defeat could lead to greater polarization in Venezuela (Hetland, 2007; Luhnnow & Lyons, 2007). Chavez's quick acceptance of the referendum's result, however, suggests that it may instead lead to internal exploration of the regime's weaknesses (Hetland, 2007; Zibechi, 2008). Support for democracy has surged in Venezuela, and some observers say this is due to the vote and its aftermath ("Democracy," 2008).

No one denies, however, that the Chavez program exposed some of the festering sores of neoliberal reform. While continuing to support the banking industry and actively engaging in foreign trade, he has targeted the "lost decades" of the 1980s and 1990s when, under structural adjustment programs, Venezuelan incomes dropped by over 40% and the poor suffered terribly. The balm the government has been applying includes an independent foreign policy and a mixed economy (Renique, 2005). More than that it has targeted the poor for massive state spending. Over two-thirds of poor Venezuelans have benefited from subsidized grocery shops, hefty increases in the minimum wage, and price controls on basic goods. About two million poor receive small cash stipends. And in poor neighborhoods all over the country, missions--"misiones barrio adentro"--have sprung up. These are government-sponsored, neighborhood-based programs to foster education and literacy training, and health care ("Rise of the Boligarchs," 2007; Shifter, 2006). Two-thousand health-care misiones are up and running. The goal is 8,000. With participation by local citizen "health committees," the health care program is designed to provide universal care, and includes resources for training needed domestic medical professionals. Currently the program is staffed largely by Cubans, 20-thousand since 2003. Cuba provides health-care workers and medications to patients in poor barrios in return for Venezuelan oil. The traditional medical establishment in Venezuela is resistant to the *Misiones* program, claiming Cuban doctors are unqualified and that their licenses are questionable. Also, there have been numerous defections by Cuban health care workers from the program (Muntaner et al., 2006; Soman, 2008).

Grassroots mobilization

Grassroots movements and civil society organizations have also ratcheted up criticism of the neoliberal regime with its structural adjustment conditionalities. Protests have punctuated the region over privatization, environmental threats

from multi-national corporations, and treatment of workers. Indigenous movements have tended to be staunchly opposed to neoliberalism, and the major global push-back gathering has its home base in Latin America. The popular resistance has yet to coalesce into a “school of thought” or even a set of policy approaches. It has manifested itself, however, along certain characteristic lines. There has been a growth of international advocacy networks made up of cross-border activists (e.g., the Jubilee movement that spurred debt reduction for poor countries). Worker contacts across borders have become more numerous as labor organizations seek to combat the negative effects of highly mobile capital. Finally, consumer-labor partnerships have become ubiquitous, focusing on working conditions and worker protections in developing countries (e.g., the campus anti-sweatshop campaigns) (Babb, 2005).

The 1990s and early 2000s were a time of significant unrest in Latin America. Strikes and demonstrations in Peru, the spontaneous taking to the streets in Argentina in 2001, mass outpourings in Venezuela to thwart a coup and an oil strike, multiple protests in Central America against privatization, sales tax hikes, and against the Central American Free Trade Agreement (CAFTA) (Almeida & Walker, 2006). In South America and Mexico, some of the more notable popular actions were led by indigenous organizations. The Bolivian uprising of 2003 and the “wars” over water privatization and foreign ownership of gas that proceeded it were largely Indian-based. So, too, were mobilizations in Ecuador and in Chile, where Mapuche Indians rose up in defense of natural resources threatened by multi-national mining and lumber interests (Renique, 2005). All of these popular movements have had a strong strain of protest against structural adjustments and their effects. Possibly the most prominent of all has been the EZLN, “Zapatista,” movement in the Mexican state of Chiapas. Referred to as a “barometer” of all indigenous protest movements, the Zapatistas have pushed for constitutionally-recognized indigenous autonomy, they have actually created forms of self-government in their territory, and they have taken a consistently strong anti-neoliberal, anti-colonial stance (Renique, 2005).

Interestingly, Almeida and Walker (2006) have analyzed a number of popular movements in Latin America, and have concluded that successful mobilizations have been multi-sectoral, enjoy supportive public opinion, and are allied with a strong oppositional political party.

A major phenomenon of resistance to neoliberalism in Latin America and elsewhere is the World Social Forum (WSF). Inspired by the WTO protests in Seattle in 1999, the WSF was launched in Porto Alegre, Brazil, in 2001. For seven years in a row, massive gatherings of groups representing a bewildering diversity of agendas—reformist, revolutionary, new left, old left, trade union, indigenous, NGOs of every flavor—have met at the same time as the elite World Economic Forum (Osava, 2007; Wainwright, 2007). Among the hundreds of organizations represented, the Jesuits have maintained a large and active presence as has Caritas International, the social outreach agency of the Catholic Church (Isamu, 2005; “Report on the Ignatian Family,” 2007).

Based on principles of diversity, self-organization, solidarity and non-violence, the forum has adopted as its slogan, “Another World is Possible” (Osava, 2007; Shiva, 2004; Wallerstein, 2004). In its charter the WSF states that it is “an open meeting place for reflective thinking, democratic debate of ideas, . . . and interlinking for effective action, by groups and movements of civil society that are opposed to neoliberalism and to domination of the world by capital and any form of imperialism” (World Social Forum, 2007). Lately there has emerged a debate in the WSF between those who would like to see it become a more cohesive movement that can mobilize around decisions and those who defend the original open forum without hierarchy or official positions.

Four of the WSF gatherings have been in Porto Alegre; others have taken place in India and Africa. Attendance has fluctuated from 10-thousand the first year to around 100-thousand for year five. In 2007, in Nairobi, attendance dropped to 50-thousand. The novelty of the WSF appears to have worn off, and press coverage declined significantly (Osava, 2007; Wallerstein, 2004). The next meeting has been postponed until 2009, and will be held somewhere in Amazonia. Organizers and observers of the movement believe that it has to impose, if not a formal structure, at least some order over the forum’s events. At the last gathering there were 1200 separate meetings, debates, seminars, etc., creating chaos more than diversity (Osava, 2007). The World Social Forum, regardless of its massive rag-tag and careening infancy, has established itself as a space for creativity and networking among a world-wide agglomeration of movements and organizations in resistance to the baneful practices and consequences of neoliberal economic globalization. One participant at 2007’s forum commented that in the beginning the WSF focused on “analyzing what was going on.” “Now,” he added, “we’re planning actions and strategy over the long term” (Wainwright, 2007, p. 1).

Organized labor

Another institutional force in resisting the deleterious effects of neoliberal economic globalization is organized labor. Labor’s key demand is that in the world-wide trading system the rights of workers be given equal weight to the rights of private property (Compa, 2001). In 1998 the International Labor Organization (ILO) published a “Solemn Declaration

on Fundamental Principles and Rights at Work” which mandated freedom of association and recognition of the right to collective bargaining (International Labour Organization, 1998). It also calls for an end to all forms of forced or compulsory labor. The ILO Rights at Work are highlighted in the United Nation’s “Global Compact,” an initiative designed to bring employers in line with civil society and labor in advancing human rights in the workplace (United Nations Global Compact, n.d.). In 2006 the European Commission launched an ambitious movement to guarantee “decent work,” both within the EU and in countries it trades with. Decent work includes more and better jobs with welfare protection and equal opportunities as a means to alleviate poverty (European Commission, 2006).

In 1998 free-trade critics, with labor prominent among them, effectively stopped the multilateral agreement on investment (MAI) that would have extended NAFTA-like investor protections to all OECD member countries. The MAI would have allowed foreign investors to overrule legal constraints on their activities (e.g., Honduras’ limiting foreign investment in forestry products to a minority stake) (Compa, 2001; Lalumier, 1998).

In the late 1990s both the World Bank and IMF conceded the need to address worker’s rights when implementing lending programs. At the same time a coalition of labor and human-rights groups pressured many TNCs to adopt codes of conduct designed to safeguard community, worker, and environmental well-being. Compa (2001) cautions that these multi-lateral and corporate agreements are all based on “soft-law” measures—reports, consultations, guidelines, etc. They contain weak, if any, economic or legal consequences for non-compliance. In the U.S. trade union advocates have successfully lobbied for language in trade laws that make respect for workers’ rights a condition for duty-free access to American markets and for developmental assistance. Even in NAFTA they won a “side agreement” on labor issues that contains a dispute resolution mechanism (Compa, 2001). In May 2007, buckling under pressure from labor and from public opinion, the Bush administration and Congress announced that labor and environmental standards would be a substantive component of all future trade agreements (Gosselin, 2007). These provisions helped tip the balance in Congress, leading to approval of the bilateral trade deal with Peru (Abrams, 2007).

International financial and trade organizations

Political changes, economic reversals, mass public protests, and an accruing record of retrograde unintended consequences, are leading to an era of neoliberal revisionism. Admitting to cracks in the Washington consensus, and patching them, occupies the agendas of IFIs and the WTO, and their most powerful members. The WTO has hit the skids. At its Cancun, Mexico, Meeting in 2003, the Doha Round of trade talks—begun in 2002—stalled out. The Doha Round was supposed to focus on pushing international trade liberalization in a way designed to meet the needs of developing member nations. At Cancun a South Korean protestor stabbed himself to death over the plight of indigenous farmers hurt by cheap agricultural imports from rich countries. Representatives of many developing nations essentially walked out over U.S. and EU agricultural subsidies (Bell, 2003).

In June 2007 the Doha Round collapsed again. Brazil and India blamed the U.S. and EU for failing to provide adequate concessions on agriculture; in return the U.S. and EU blamed Brazil and India for not opening their markets to Western manufactured goods. Doha remains a cryogenic hope—even though the fall 2008 G-20 meeting committed to its conclusion, Pascal Lamy, the WTO’s head, declined to convene a negotiating session in Geneva (Lynch, 2008). The WTO’s role, for the time being, has been reduced to trade dispute settlement and seeking some part to play in the growing patchwork quilt of bilateral trade deals (Coy, 2006a; “Latest world trade talks,” 2007). It should be noted, however, that the lack of will on the part of the Western powers to conclude the Doha Round is in part due to its feeble payoff. The World Bank estimated that U.S. gains from Doha would amount to roughly \$6.5 million, what Business Week referred to as “less than a rounding error.” This is because, due to neoliberal reforms, trade in goods around the world is already essentially free, so there was little left to gain for the economic “haves” (“Why free trade talks,” 2006).

Also in June 2007, the administration of George Bush lost its fast track authority to conclude trade deals with minimal legislative involvement. The Democratic congress and the new Democratic administration seem unlikely to renew it any time in the near future. Not only that, but previously inked, but not yet voted on, free-trade agreements with Colombia, Panama, and South Korea are in serious jeopardy of being rejected. This is especially true with regard to Colombia and with South Korea (the most far-reaching pact since NAFTA). In the case of Colombia, Congress is concerned about both governments’ failure to adequately attend to continuing violence in the South American country (Gosselin, 2007; Wingfield, 2007).

Along with the WTO, the World Bank and the IMF have been losing their punch. Latin American borrowers are prepaying and/or defying obligations to avoid the IFIs’ “jurisdiction.” For example Uruguay, the Fund’s third-largest borrower, announced in 2006 that it was prepaying its outstanding obligations to the IMF, while Venezuela continued to buy up Argentina’s debt (“braking IMF’s chains” according to President Chavez) (Bradlow, 2006; “Business partners,” 2007). The World Bank appears to have lost its ability to compete with private investors, and suffered a net

loss of \$300 million in the 2006 fiscal year (Stotts, 2007). Lately, when exporting countries looked to it as a source of trade financing, the World Bank had difficulty obtaining sufficient funds from U.S. banks (Lynch, 2008; Lyons, 2008).

Added to its financial woes, the World Bank has been pilloried before a U.S. Senate subcommittee as being corrupt, “perpetrating inside procurement deals, exorbitant salaries, and fund embezzlement” (Stotts, 2007). In testimony, one expert estimated that between \$100 billion and \$500 billion in World Bank development funds to Africa had been smuggled into offshore accounts. Further condemnation came from an internal evaluation of the Bank’s investments in education over 15 years that concluded that “in their pursuit of numbers and targets, they had done almost nothing to improve learning outcomes” (Archer, 2007). The Bank’s HIPC (highly indebted poor countries) initiative mentioned earlier fizzled from 165 targeted countries initially to 14 countries in 2005, with another 13 on probation. Debt reduction couldn’t trump the IFI structural adjustment fetish that required poor countries to swallow harsher structural adjustment medicine before being excused their crippling debt. In 1999 the Bank started referring to structural adjustment programs as “poverty reduction strategy papers,” but what was required of debtor nations continued to focus on deregulation, trade liberalization and privatization (Bello & Guttal, 2005). In 2004 it washed its hands of responsibility for addressing social and environmental impacts of projects it finances, calling the new framework a “country system” in which borrower governments would be accountable.

Both the World Bank and IMF have been under fire for failing to adapt to contemporary world economic realities. In 2007, the finance ministers at the Asia-Pacific Economic Cooperation (Apec) forum reflected that “the IMF is not fully representative of the modern economy and . . . needs reform” (“Apec wants,” 2007). There is a growing chorus of dissatisfaction about both IFIs’ governance structures. For all practical purposes, the U.S. names the head of the World Bank and the EU the head of the IMF. In the World Bank, the U.S. controls 17.6% of the votes, in the IMF 19%-in both cases in excess of the 15% needed to veto important decisions (Bello & Guttal, 2005).

Economic heterodoxy

Finally, even in the stuffy academic economics community, there is a loosening of the straightjacket orthodoxy of the Washington Consensus (another name for neoliberal ideology). Former Clinton labor secretary, Robert Reich, has stated that “economists can’t pretend that the consensus for free markets and free trade that existed 30 years ago is still here” (Cohen, 2007, p. 1). A growing number of respected economists—e.g., Alan Blinder at Princeton, David Card at UC Berkeley, Dani Rodrik at Harvard, Matthew Slaughter at Dartmouth—appear to have rejected the blind faith in free trade and the fanatical abhorrence of all government intervention in markets. The eminent economists Paul Krugman, Paul Samuelson, Lawrence Summers and Nobel laureate George Akerlof have commented on the failings of unbridled market fundamentalism embedded in neoliberalism (Cohen, 2007; Hayes, 2007; Sasseen, 2008).

The most prominent voice among economists attacking neoliberal tenets is the 2001 Nobel Prize winner, Joseph Stiglitz. President Clinton’s top economic adviser, and past chief economist for the World Bank, Stiglitz argues that targeted government action will improve the functioning of state economies, and that unfettered free markets often break down. He insists that neoliberal structural adjustments are likely to tear the delicate social fabric of developing countries (Coy, 2006).

He is particularly critical of the liberalization of financial and capital markets. He says this leaves developing countries “prey to hot money pouring into the country . . . ; just as suddenly, as investor sentiment changes, the money is pulled out, leaving in its wake economic devastation” (Stiglitz, 2002, p. 18). Lately, Stiglitz has formed the “Initiative for Policy Dialogue” in which he works to help to ameliorate the harmful effects of imposed structural adjustments. According to *Business Week*, his arguments are “stiffening resistance of developing countries” to concessions (Coy, 2006).

Conclusion

In November 1996 the Latin American Jesuit provincials sounded a continent-wide alarm: an ideologically-driven set of economic policies was riding the wave of globalization inundating the region. International financial institutions, like the World Bank, IMF, IDB, representing the world’s most powerful and wealthiest interests—both governmental and corporate—were imposing neoliberal structural adjustment policies on the developing countries of Latin America and the Caribbean. Neoliberalism mandates the radical dismantling of barriers to economic activity in order to foster growth; apologists promised that trickle down effects of economic growth would benefit all segments of society in its wake. The Jesuit provincials framed their objections to the neoliberal regime in theological terms: the ideology is idolatrous. It places the market above the human person, and makes it more than “a useful and even necessary instrument to improve and increase supply and reduce prices.” The market under neoliberalism is “the means, the method, and the goal that govern relationships among human beings” (“Letter and study,” 1997, p. 43). The provincials claimed the ideology, in condemning millions of Latin Americans to poverty as the inevitable price for economic growth, reflects a “culture founded on a conception of the human person and society incompatible with the

values of the Gospel” (p. 43). In their critique, however, they focused on the real-world consequences of the application of the ideology, especially the actual economic impact structural adjustment has had on the region’s economies, and especially on the poorest segments.

In the ten years after the letter was published, the neoliberal regime maintained its hold on Latin America. Its success as an economic system has, however, been mixed at best. As the provincials reported in 1996, economies grew (but erratically), inflation apparently was tamed, and the current account for many countries began to show a surplus. The latter was due partly to reductions in government spending—necessary as well as wasteful. The cost underlying the positive economic indicators has been high: implosion by hot money of national economies and gross and growing inequality in the distribution of incomes, wealth, and tenancy. Growth and value added in the region has tended to enrich an elite minority, often foreign. The smallest and weakest producers have been left unprotected, and millions have been forced into informal sector employment, emigration, or both. Governments have been severely constrained in their ability to serve the needs of citizens. The gains under neoliberalism have come at the expense of the poor.

Resistance to the neoliberal juggernaut in Latin America, however, has flourished since the Jesuit superiors wrote their letter, and the critique has been amplified. Popular movements, many global, have joined voices and forces to slow down or halt structural adjustments. Trade and economic alliances in the region—especially in South America—have reduced the ability of IFIs and Northern free-traders to impose adverse fiscal measures on member states. Newly elected national governments are shifting away from slavish conformity to structural reforms toward economic policy that balances out market liberalization with social investment.

Finally, the architects and general contractors of neoliberalism are slowly revising the ideology’s blueprint. Under fire for poor results, and for harm done, it is as if they are responding that “of course majorities shouldn’t be hurt by liberalizing reforms.” Jorge Castañeda, Mexican foreign minister under free-trader Vicente Fox, has suggested a “proactive agenda of things that are worth pursuing regardless of whether they are pro- or anti-neoliberal”—things like higher taxes for social progress and reduction of poverty through long-term government assistance programs (Castañeda, 2005, p. 139). Economists are admitting that unbridled free-market approaches fail to allow for valuable investment in social capital. Many are calling for an industrial policy and more public outlays for education, health and the environment (Edward, 2006; Taylor, 1999). And the moral, prophetic analysis articulated by the Jesuits is being echoed anew by the Latin American Catholic hierarchy.

At their meeting in Aparecida, Brazil, in May 2007, the Latin American Catholic bishops announced that “the present economic model must assume enormous responsibility. It privileges the excessive search for wealth, over and above the lives of individuals and peoples and the care of the natural environment” (Chamberlain, 2007, p. 23). In his address to the meeting, Pope Benedict XVI cautioned that “although certain aspects [of globalization] represent an achievement of the great human family . . . nevertheless it also carries the risk of economic gain as the supreme value” (p. 23). In the bishops’ final report, they recommend a new form of globalization, globalization of solidarity. Globalization of solidarity is an ideological alternative to neoliberalism that would entail working “for the common global good”: just regulation of financial movements and commerce, cancellation of external debt to enable social investment, regulation to control capital speculation. The bishops recommitted the Church to “the preferential option for the poor,” and declared unequivocally that “justice in commerce must be promoted.”

In their letter the Jesuit provincials called for educators to analyze and promote understanding of neoliberalism, its underlying rationale, and its impact on human beings. I offer this article as an attempt to answer their call.

Postscript: Latin America and the Global Economic Crisis

Latin America is not immune from the effects of slower world growth and the volatility and uncertainty in financial markets. After six years of vigorous growth, however, it is better prepared to weather the crisis than in the past. The World Bank vice president for Latin America has stated that the countries of the region “are well positioned to face risks in the event of a global financial recession” (ECLAC, 2008a; “South America,” 2008).

Already in December 2008, Latin American stock markets have crashed, credit has hardened, and currencies are vulnerable. Exports from the region are falling, along with commodity prices—undoing the robust expansion and value of trade in oil, metals, and agricultural goods that fueled recent growth. Another major source of income to the region, remittances from workers abroad, is also on the decline (ECLAC, 2008a; “Preparing,” 2008; “The end,” 2008).

At least in the short run, inflation continues to bedevil a number of countries. Food prices, for example, have increased dramatically during the past two years. However, many factors that have driven up prices (e.g., cost of fuel) are predicted to decline in importance, thus easing pressures on markets (ECLACa, 2008; “Food price,” 2008). At a

time when interest rates in the U.S. are in free-fall, Latin American central banks are using monetary policies (e.g., raising interest rates) to deal with inflation. They are hampered by the neoliberal legacy of free-floating currency and free capital markets; since any hint of instability could trigger another capital exodus (ECLAC, 2008a). Like everywhere else, banks in the region have gone cautious, and credit to and from them is drying up ("Preparing," 2008).

How should Latin America policy makers respond to contemporary economic challenges? The solutions being recommended are many and varied; but in most cases they are not limited to tired, discredited neoliberal prescriptions. Some countries—Chile and Mexico, for example—can spend their way back to growth through providing credit and subsidies. Interestingly, the IAD and OECD recommend increasing government revenues and reconfiguring spending to target the reduction of poverty and inequality. Latin American governments should spend a much higher percentage of GDP on public works, education and job training, and health care ("Preparing," 2008; "Latin America," 2008). To complement social spending, countries are being encouraged to selectively re-regulate—to impose obligations on companies like telecoms to provide greater and more equal access to services (OECD, 2007).

According to *The Economist*, "most forecasters expect Latin America to bounce back in 2010" ("Preparing," 2008). In the recovery scenario, however, a dark neoliberal cloud hovers on the horizon—the potential failure of the Bolivarian option to buoy up the poorer economies in the Andes and the Caribbean rim. As it is, domestic economic difficulties, declining oil production and prices, and rising consumption at home have seriously impeded Venezuela's ability to provide needed subsidized petroleum and food supplies to the poor countries in its sphere. These countries may have no recourse but to return hat-in-hand to the as-yet unreformed neoliberal IFIs—the IAD, IMF, and World Bank (Neary, 2008). All three, in anticipation of such an eventuality, have rolled out new emergency loan facilities—for the time being with "few strings" attached (Lyons, 2008; "Preparing," 2008).

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