

Neo-Liberalism

Public Pain, Private Gain

Neo-liberalism came to Caracas with a vengeance, in 1989. Confronted by recession, the then government responded with a typical austerity package: spending on health and education was cut and price rises imposed on basic commodities and foodstuffs.

The measures provoked popular outrage as they impacted most severely on the poor. When the price of gasoline was doubled, and private bus owners increased their fares in turn, the outrage erupted into widespread rioting. Over 300 people died. These cataclysmic events were to have a profound, formative influence on Hugo Chavez, then a young army officer. However, Venezuela's unhappy encounter with the neo-liberal agenda was far from unique.

Across Latin America during the late 1980s and 1990s, this economic model was in the ascendancy, holding whole societies hostage to its perverse orthodoxy. At its simplest, the neo-liberal economic model demands: the removal of trade barriers (often suicidal for countries with underdeveloped industry); the selling of state assets (usually to foreign buyers); drastic cuts in social spending (which impacts most on the poor, as the wealthy can afford private healthcare and education); the removal of employment rights and protection. The goal is to make the country attractive (cheap) for foreign investors and multinationals.

Chief exponents of the neo-liberal model are the International Monetary Fund and the World Bank. Unelected and unaccountable, these secretive organisations wield enormous power precisely because they are the sole source of finance for many poorer countries. In effect, governments are forced to cede economic sovereignty to these unrepresentative bodies.

In Ecuador, the IMF demanded - as the price for aid - that the government cut 26,000 jobs, halve real wages, privatise the state water system and increase the price of cooking oil by 80 percent.

In Nicaragua, massive job cuts demanded by the IMF post-1990 saw the combined rate of unemployment and chronic underemployment soar to over 50 percent.

More recently, the World Bank advised the incoming Fox administration in Mexico to eliminate severance payments for workers and end collective bargaining, i.e. undermine trade unions.

After two decades of ingesting the neo-liberal prescription, Latin America has the highest level of income inequality in the world, while income per capita has fallen, or stood still, for the same period.

In the early 1990s, Argentina was held up by the IMF as a model of neo-liberal success. Last year, the country descended into economic chaos, largely as a result of IMF policies. Today, 25 percent of Argentinians cannot afford to feed themselves and their families. In November 2002, it was revealed that Argentinian children were dying daily of malnutrition. This in a country that once boasted of being the "grainstore of the world".

The news shocked Argentinian society and provoked a remarkably candid reaction from government minister, Anibal Fernandez, who assigned blame to "a sick society and a ruling class that are sons of bitches, all of them, myself included."

The election of Hugo Chavez in 1998 marked a turning point. Prior to this, Latin American governments had either acquiesced or enthusiastically endorsed the "voodoo economics" of neo-liberalism. While governments elsewhere in the region enacted legislation to transform public goods - water, energy - into private commodities, the Chavez administration introduced a new constitution to ensure vital assets were kept out of private hands. (Venezuela's wealthy would have expected to benefit handsomely from the privatisation of assets, such as the state oil company PDVSA, as had been the experience throughout Latin America).

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The new constitution also restored rights - severance pay, for example - that previous administrations had abolished. In addition healthcare and education were made free, for the first time in Venezuela's history.
The Chavez administration effectively threw the neo-liberal project in Latin America into reverse.

In recent years, popular protests in Mexico, Peru and Bolivia have also succeeded in overturning proposed privatisations and other such projects.

However discredited bodies such as the IMF may be, the neo-liberal project in Latin America still has one crucial item on the agenda - the Free Trade Agreement of the Americas (FTAA).

The proposal is simply an extension of the North American Free Trade Agreement (NAFTA), between the US, Canada and Mexico, that came into force on January 1, 1994. That Mexico's Zapatista rebels chose the same day to launch their ongoing rebellion was no coincidence. They - and many throughout the region - saw NAFTA as neo-liberalism writ large.

Realisation of the FTAA is a key policy goal of the Bush administration. The Chavez administration has stated its opposition to the FTAA. Nonetheless, his administration may no longer be the region's lone voice.

The recent electoral successes of Luis Ignacio da Silva ("Lula") in Brazil and Lucio Gutierrez in Ecudaor, would seem to indicate that, for millions in Latin America, neo-liberalism is an idea whose time has gone. Long gone. ■