Neoliberal Globalisation and Latin American Resistance: A neo-Gramscian Perspective

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This thesis would not have been possible without the generous support of colleagues, friends and family.

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Unless otherwise acknowledged in the text, this thesis represents the original research of the author.
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Abstract

This thesis deals with the ‘Pink Tide’ phenomenon in Latin America which has seen a wave of leftist governments elected in the region over the past decade, promising an end to ‘savage neoliberalism’ and a new era of political, economic and ideologically autonomy. The thesis explores the rise of the Pink Tide in the larger context of the rise and fall of the neoliberal globalisation project integral to U.S. hegemony in the post-Vietnam era. In doing so, it necessarily engages with the dominant analytical and political frames of understanding of the current world order derived from orthodox analyses of International Relations (IR) and International Political Economy (IPE), which propagate the ‘common sense’ notion that there is no alternative to this order. The thesis critically examines this orthodoxy in order to elucidate its conservative bias whose primary aim, it suggests, is to preclude the search for alternatives. Instead, the thesis combines themes from IR, IPE, Latin American studies and the Marxian perspectives of Antonio Gramsci in particular, to explore the rise of the Pink Tide by examining its two most prominent members – Venezuela under Hugo Chávez and Brazil under Lula and Dilma Rousseff. The thesis proposes that, from a Gramscian perspective, their emergence can be understood as a response to the organic crisis of neoliberalism in Latin America underway since the late 1990s. In this context, the central argument is that the Bolivarian Revolution in Venezuela represents a counter-hegemonic project that seeks to instil in the Venezuelan people a radical class consciousness, while the Brazilian project under Lula and Rousseff is better understood as a ‘passive revolution’ whose aim is to resecure consent for the neoliberal order by making significant material and ideological concession to the Brazilian masses. The relationship between these two projects, the thesis further argues, should be understood dialectically, in terms of the potentials for radical politics that emerge out of their interaction – potentials that are especially prominent at the regional level, where both countries are at the forefront of a process of regional integration that aims to make Latin America more politically, economically and ideologically autonomous in the neoliberal world order. All this is particularly significant for the U.S., given the importance of Latin America to its hegemonic status. However, over the past decade, the U.S. has found its ability to impose its will on the region diminishing, as it has become increasingly distracted by challenges to its hegemony from elsewhere around the globe. This situation, the thesis concludes, opens up all kinds of opportunities for a fairer, more prosperous and more democratic Latin America as the 21st century unfolds, opportunities which may be realised in struggles yet to come.
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Introduction

In December 2011, 33 heads of state from Latin America and the Caribbean came together in Caracas, Venezuela to formally constitute a new regional body – the Community of Latin American and Caribbean States (Comunidad de Estados Latinoamericanos y Caribeños, CELAC). The summit’s host, Venezuela’s President Hugo Chávez, proclaimed it ‘the most important political event to have happened in our America in 100 years’ (cited in: BBC 2011a). It was a significant event in terms of what it said about the development of Latin American and Caribbean identity in the 21st century. But it had another significance also – because of the voices that were not heard – particularly those of the U.S. and Canada. As The Miami Herald put it, ‘the hemisphere is throwing a party but not everyone is invited’ (Wyss 2011). This indeed is uncharted territory for a region that since the proclamation of the Monroe Doctrine in 1823 has been understood by the U.S. as its own ‘backyard.’ Indeed, in Greg Grandin’s terms (2006), since the 19th century Latin America has served as America’s ‘workshop’ – where it develops and perfects the strategies it subsequently uses to project its power on the global stage. Latin America, in other words, is a fundamental part of U.S. hegemonic strategy, often the site where this strategy is applied most crudely and directly. The convocation of a regional body without the U.S. therefore represents a significant challenge to U.S. regional and global ambition. A challenge acknowledged directly in the claim of Nicaraguan President Daniel Ortega that CELAC represents a ‘death sentence for the Monroe Doctrine’ (cited in: Dangl 2011).

The driving force behind the creation of CELAC – and the challenges to the regional and global status quo associated with it – has been a bloc of leftist governments elected over the past decade in Latin America. Collectively referred to as the ‘Pink Tide,’ this left turn began with the election of Hugo Chávez in Venezuela in 1998, and
the subsequent elections of left or centre-left governments in Argentina (2003, 2007 and 2011), Bolivia (2005 and 2009), Brazil (2002, 2006 and 2010), Chile (2000 and 2006), Ecuador (2006 and 2009), El Salvador (2009), Guatemala (2007), Nicaragua (2006 and 2011), Paraguay (2008), Peru (2011) and Uruguay (2005 and 2010). Over the past decade, this left turn has led to Latin Americans taking an increasingly independent and assertive role in the region. In the process, they have clashed with Washington on a number of issues, including the embargo on Cuba; the invasion of Iraq; attempts to grant American troops immunity at the International Criminal Court; plans to expand American military bases in Colombia; the coup in Honduras; and American policy on Iran.

This left turn has also resulted in a range of initiatives aimed at regional integration, which effectively exclude the U.S. and/or clash with its vision for the region. These exclusively Latin American initiatives include the establishment of the Union of South American Nations (Unión de Naciones Suramericanas, UNASUR), a political integration body that includes all South American nations; the Bank of the South, which offers alternative sources of development funding to the American-controlled international financial institutions; the development of Telesur, a regional satellite television station intended to give Latin Americans an alternative to American-dominated TV networks; and the Bolivarian Alliance for the Peoples of Our America (Alianza Bolivariana para Los Pueblos de Nuestra América, ALBA), set up to directly challenge the American-promoted Free Trade Area of the Americas (FTAA). CELAC is thus only the most recent example in a series of increasingly bold challenges to U.S. hegemony in Latin America.

There are reasons for all of this, of course, and in this thesis I want to engage and analyse some of them in order both to understand them in their immediate (regional) context and to say something about their possible implications for a global
political economy dominated since World War II by American hegemonic power and influence. Since the 1970s this power and influence has been questioned and challenged on a number of fronts and the U.S. has responded vigorously. In the aftermath of the Vietnam War, for example, the American-driven deregulation of global markets and the associated neoliberal ideology were signals to a doubting world that the U.S. was still hegemonic, albeit now at the apex of a new global order concerned less with traditional power politics and more with the ‘globalisation’ of capital and Western (i.e. non-communist) political culture.

The Reagan administrations of the 1980s were emblematic of this reformulated and aggressive U.S. hegemony, designed to reinvigorate the capitalist world order and re-establish the legitimating power of Western modernity in its struggles with variants of socialism and communism, particularly in the Third World. The primary ideological weapon used in these struggles was neoliberalism – an ideology reprising the 19th century classical liberal argument that human development and individual freedom are best promoted through the self-regulating market. Based on this conviction, neoliberalism advocates a series of policies that limit the state’s role in the economy and privilege ‘market’ logic in traditionally political and cultural spheres of society. Put simply, a neoliberal ‘good society’ is characterised by the deregulation of politically imposed restrictions on the operation of the capitalist free market; the privatisation of ‘inefficient’ state-owned enterprises; and the liberalisation of trade and capital to imbue at all levels of society an appreciation of the naturalness and necessity of ‘market forces.’

The application of these policies worldwide, so the neoliberal argument goes, will result in the extension of ‘Western’ prosperity and its democratic forms of governance to all corners of the planet, in a new era of ‘globalisation.’ And in the era beyond the Cold War, in particular, the emancipatory power of neoliberalism has been
celebrated as representative of the ‘end of history’ (Fukuyama 1992). Neoliberalism was expected to become the keystone of a new world order, following the victory over communism and socialism and other discredited variants of the great post-Enlightenment struggle for modern political and ideological domination. In this context, the U.S.-led neoliberal world order seemed to offer a natural, inevitable and positive future for the global community.

Over the past decade, however, the neoliberal project has been critically reassessed and rejected by great masses of people around the world. This rejection has taken many forms. In 2012, for example, there are ‘Occupy’ and alter-globalisation movements springing up in many areas of the neoliberal core – in the U.S. and in Western Europe – which agitate for a more democratic and socially just world order than that experienced under neoliberal capitalism. Simultaneously, right-wing xenophobes in Europe and elsewhere pronounce the need for resurgent nationalisms in the face of neoliberalism’s cultural insensitivity in its search for market penetration and profit.

In a region such as Latin America there has been variation too, but in general the rejection of neoliberalism here has been triggered by the social consequences of a free market project that has created severe hardship for its many ‘losers’ and even greater dislocation between its small (mainly white, land owning) elites, its working classes and its millions of impoverished (often indigenous) underclasses. The rise of Pink Tide leftism needs to be understood in this context. Consequently, this thesis wants to explain something of the rise of the Pink Tide, at least in Venezuela and Brazil, in the larger context of the rise and (partial) fall of neoliberalism and the globalisation project integral to U.S. hegemony in the post-Vietnam era.

In this regard it brings three broad ‘levels’ of analysis to bear on the issues touched on above. The first (Chapters 1-3) seeks to explain the nature and significance
of neoliberal globalisation in hegemonic terms – that is in terms of American-led efforts to gain ‘consent’ for its global rule as part of an updated narrative of the ‘free market’ as the keystone of global freedom and prosperity. It does so, as the hegemonic theme suggests, by utilising insights from the life and works of Antonio Gramsci (1891-1937) which, I will argue, continue to offer the most profound and comprehensive account of politico-strategic relationships in the global community in the early 21st century. I acknowledge the problems of transferring Gramsci’s thinking in this way, but as Stuart Hall has pointed out, the aim is not to simply ‘apply’ Gramsci to the current world order without due regard to its complex contemporary character, but rather to ‘think problems through in a Gramscian way’ (Hall 1988, 161). This is what I seek to do throughout the thesis.

Consequently, the second level of analysis (Chapters 4-7) seeks, in broad Gramscian terms, to explain the impact of the neoliberal narrative and its attendant political practices upon regions beyond its ‘Western’ core, in this case in the Latin American periphery. In this phase of the thesis I turn more directly to the two most prominent, albeit different, articulations of Pink Tide response in Latin America, those emanating from Venezuela and Brazil, and seek to evaluate their counter-hegemonic credentials, both domestically and at the broader regional level.

The final ‘level’ of analysis (the Conclusion) is designed to return the discussion to its original location – the tensions between the U.S. and Latin America – and indicate something (in more critical terms) of what the Pink Tide phenomenon might mean for U.S. hegemonic ambitions, both in the region and globally, as the 21st century unfolds.

In each of these phases, the thesis aims to understand the current politico-economic situation in its larger historical and intellectual context, which as Gramsci made clear, is crucial to any comprehension of and resistance to hegemonic ‘common sense.’ In the first instance thus (Chapter 1) the thesis re-evaluates the way in which the
current world order has come to be understood in the way that it has, particularly in the policy and academic realms of the major Western states. For reasons that will be outlined in more detail below, this process of constructing the ‘common sense’ of a post-1979 ‘orthodox International Political Economy’ (IPE) requires more critically infused dimensions if its partial and ideological nature is to be exposed and understood.¹

In turn, the value of any critical approach also needs to be explained in historical and intellectual terms, and in Chapter 2 I seek to do this with a more detailed discussion of Gramsci and his adapted Historical Materialism, and its relevance and significance to orthodox IPE in the contemporary era. Similarly, in Chapter 3 I touch more directly on the neoliberal world order that is the primary historical and intellectual location for both Gramscian and orthodox accounts of hegemonic power and counter-hegemonic possibilities in the early 21st century.

With these crucial ‘framing’ chapters in place, I then turn to discussions of what all this means for Latin America and its increasingly critical stance towards the United States and the neoliberal project most closely associated with it. Only in this broader, critical context, I suggest, can we begin to understand and evaluate what the Pink Tide means and what its significance might be for the ‘winners’ and ‘losers’ in the global community in the years to come.

The thesis, consequently, seeks to make a contemporary analytical contribution to issues that are of major importance to great masses of people in the global community in the current era. It does so in multidisciplinary terms, by combining themes drawn from International Relations (IR), International Political Economy (IPE),

¹ The label ‘orthodox IPE’ comes from Murphy and Tooze (1991a), who use it to define the liberal institutionalist and neorealist approaches that dominate the study of the international political economy within the larger discipline of International Relations (IR). In thesis, I argue that due to their analytical focus on the interaction between the discrete spheres of the ‘economy’ and the ‘state,’ as well as their shared ontological and epistemological commitments, the two other mainstream approaches to the international political economy within IR: ‘hyperglobalism’ (Ohmae 1995), and ‘transformationalism’ (Held et al. 1999) can also be considered part of orthodox IPE. This argument is taken up and further fleshed out in Chapter 1.
critical social theory and Latin American studies in particular. One cannot possibly engage with the question of the Pink Tide phenomenon and neoliberal globalisation without such a multidisciplinary grounding and a critical attitude to the complex and multifaceted nature of the present world order. The following discussion explains in more detail why this critical and multidisciplinary approach is so necessary. It does so by drawing attention to the limitations of the mainstream literature on the emergence of the Pink Tide.

Mainstream Analysis and the Pink Tide

Mainstream accounts of the rise of the Pink Tide are, I suggest, largely impoverished and superficial and do not account adequately for its complexity and importance in either regional or global terms. This is, primarily, because issues of historical, political, economic and ideological significance are largely excluded from mainstream analysis. Instead, there is a tendency towards simplistic dichotomy instead of thoughtful analysis. Thus, the Pink Tide phenomenon is too often represented as the distinction between those Latin American states that embrace neoliberal globalisation (or some variant of it) and those that unequivocally oppose it.

One of the most powerful articulations of this theme was a widely read 2006 article by Jorge Castañeda in *Foreign Affairs* which argues that within the Pink Tide group of states there are two distinct ‘lefts’: a ‘good left’, that is ‘modern, open-minded, reformist and internationalist,’ and a ‘bad left’ that is ‘nationalist, strident and close minded’ (Castañeda 2006, 29). Members of the former group – which, for Castañeda, includes Chile, Uruguay and Brazil – are most influenced by old communist party traditions but are now distinguished by their acceptance of the TINA principle on globalisation (‘There Is No Alternative’) and have effectively abandoned their ‘utopian’ dreams in favour of the free market, neoliberalism and Western social democracy. In
this way, while reaping the political benefits of a mildly anti-American nationalist rhetoric, these states are also gaining the economic and social benefits of the neoliberal project, including economic growth and stability, a reduction in poverty, a deepening of democracy and a more ‘mature’ relationship with the U.S. This ‘good left’ thus represents ‘a viable, sensitive and sensible’ project in the neoliberal world (Castañeda 2006, 38).

On the other hand, the ‘bad left’ – and here Castañeda speaks of Argentina, Venezuela and Bolivia – has failed to learn the lessons of history, and remains ignorant of the reality and benefits of neoliberal globalisation. Instead, these states remain steeped in the longstanding Latin American tradition of ‘populism’ which, for Castañeda, has no agenda beyond the elite retention of power, economic mismanagement, statism, corruption, repression, strident nationalism and anti-Americanism. This ‘bad left,’ accordingly, is ‘more intent on maintaining popularity at any cost, picking as many fights as possible with Washington and getting as much control as they can over sources of revenue’ than on ruling for the good of its people (Castañeda 2006, 38). This kind of leftism, Castañeda insists, has been disastrous for Latin America in the past and will be so again because it works against the historical development of democracy and its recalcitrance results inevitably in poverty, inequality and unnecessary confrontation with the U.S.

Castañeda’s work is perhaps the most prominent example of the ‘two lefts’ thesis, but similar works characterise much orthodox thinking on the Pink Tide. For example, Teodoro Petkoff distinguishes between an ‘advanced reformist left’ and a ‘Bourbon left,’ while Álvaro Vargas Llosa speaks of ‘vegetarian’ and ‘carnivorous’ lefts respectively (Petkoff 2005; Llosa 2007). For Javier Santiso, the distinction is between those governments that have accepted the ‘economy of the possible’ and those that remain committed to a fruitless search for socialist utopias of one form or another
Likewise, Michael Reid speaks of the dichotomy between the ‘democratic reformism’ of Chile, Brazil and Mexico, and the ‘populist autocracy’ personified by Chávez (Reid 2007).

A related but slightly different analytical theme is evident in other influential sectors of the mainstream literature. Emanating from the Security Studies community, from the Pentagon and from U.S. Southern Command (SOUTHCOM) sources in particular, one sees the ‘good left’/‘bad left’ dichotomy accepted without question, but here there is more attention paid to the perceived security threat posed by the ‘bad’ states (U.S. House of Representatives 2006; Reich 2009; Schoen & Rowan 2009; Manwaring 2005; 2007). Indeed, in this literature, the ‘anti-Americanism’ of the ‘bad left’ is presented as a coherent threat to U.S. power and influence in Latin America and, by extension, to global security. In 2004, consequently, the SOUTHCOM Commander, General James T. Hill, warned of the ‘emerging threat’ of ‘radical populism’ in Latin America, which could well link up with Islamic terrorist groups like al-Qaeda and ‘rogue states’ such as Iran, to threaten U.S interests regionally and globally (cited in: Grandin 2006, 213). The key culprit in this regard is Venezuela, labelled in a 2006 U.S. House of Representatives report as a ‘terrorism hub of South America’ (U.S. House of Representatives 2006). Its President Hugo Chávez has been likened to Hitler by the ex-U.S. Secretary of Defence Donald Rumsfeld, and described by former Assistant Secretary of State for Western Hemisphere Affairs Otto Reich as ‘at least as dangerous as bin Laden’ (cited in: Schoen & Rowan 2009). In this particular mainstream discourse the Pink Tide is thus represented primarily as a security threat and its anti-Americanism as illustrative of a ‘terrorist’ inclination on the doorstep of the United States.

As the discussion in later chapters indicates, this has been an often utilised and very effective scenario on the part of the American security community which, during the Cold War, used similar threat themes to legitimate ‘interventions’ of various kinds.
and the elimination of ‘leftists’ throughout Latin America. The intervention option is not as easy to legitimate in the post-Cold War era, but as Castañeda and others have made clear, the strategic and political purpose of the ‘two lefts’ thesis remains integral to the security concerns of the U.S. Indeed, Castañeda is quite forthright about this when he proposes that ‘distinguishing between these two broad left-wing currents [in Latin America] is the best basis for serious [security] policy, from Washington, Brussels, Mexico City or anywhere else’ (Castañeda 2006, 42). More generally, there is concern within the U.S. security community in particular that the U.S. is too naive and sanguine about the threat of radical populism, ‘neglecting’ Latin America and ‘appeasing’ Chávez and his fellow leftists while their corrosive influence spreads throughout the region (Bolton 2010; Manwaring 2007; Noriega 2009; Reich & Ger 2012).

The significance of this view has been obvious enough over the past decade or so as both the Bush Administration (2000-2008) and the current Obama Administration (2008- ) have accepted the need to ‘split’ the Pink Tide by discrediting its potentially radical members like Venezuela and Bolivia, while domesticating its less radical ones like Brazil, Chile and Uruguay. Accordingly, on a visit to Brazil in March 2010 the U.S. Secretary of State, Hillary Clinton, expressed her ‘deep concern’ about the behaviour of the Venezuelan government, which she claimed was ‘limiting, slowly but surely, the freedoms within Venezuela.’ The solution, she proposed, was for Venezuela to ‘look more to its South and look at Brazil and look at Chile and other models of successful countries’ (cited in: U.S. Department of State 2010). Likewise, in March 2011, in her remarks before the Senate Appropriations Committee, Clinton observed that ‘with notable exceptions like Cuba and a few others like Venezuela and Nicaragua,’ Latin America ‘has moved into an era of sustainable democracy and economic growth.’ This
process, she claimed, was underway most obviously in Brazil, Chile and Colombia (cited in: MercoPress 2011b).

In both cases, the U.S. Secretary of State’s attempts to dichotomise the Pink Tide states – condemning the ‘bad left’ while praising the ‘good left’ – testifies to the impact of a particular kind of analysis in the mainstream literature on contemporary Latin American affairs. An analysis, I want to now argue, that is limited and inadequate and designed less to understand what is happening in Latin America and more to buttress U.S. dominance at a time of widespread challenge to its hegemonic status.

*The Limitations of ‘Problem Solving Theories’ in Orthodox IPE*

Mainstream accounts of the Pink Tide, I suggest, have their roots in the dominant ways of understanding neoliberal globalisation in the IPE literature – what I refer to, expanding on Murphy and Tooze (1991a), as ‘orthodox IPE.’ More precisely, mainstream IPE thinking is founded upon realist and liberal first principles derived from IR scholarship and policy practice (Lamy 2005). Realism (and neo-realism), in this regard, acknowledges that market forces are integral to the success of the current globalisation project, but argues that the project *per se* remains dependent upon the power of the major states in the international system, particularly the U.S., to ensure its success. Thus for realists, ‘economics’ remains secondary to power politics in understanding the nature of the international system in the 21st century, as it did in the 17th century at the birth of the modern IR system, and as it will in any foreseeable future. The fundamental issue for realism in this regard is systemic order – an order that is crucial in order for markets to operate efficiently. This order can only be ensured by the capacity and willingness of the major states in the global hierarchy to confront and defeat the ‘anarchical’ tendencies of a system in which all actors will naturally pursue
their self-interest in the quest for power, wealth and status (Gilpin 1987; Ikenberry 2001; 2007; Clark 1999).

Mainstream liberalism in IR (and neoliberalism) also understands the international system as potentially anarchic, and is thus also supportive of the power hierarchy, albeit in less explicit terms (Keohane 1984; Krasner 1983; 1994). But IR liberals have a more positive attitude towards the market as the site of fundamental activity within the state system. Here, the focus is on the modern individual as the template of progressivism in the system – an individual imbued with a desire to maximise wealth and liberty – a desire that can be controlled and ultimately shaped to serve the social interest in ‘market’ terms. The power of a globalised neoliberal project, in this sense, is that it represents a natural and universal instinct, and in the wake of a defeated and discredited socialist alternative it does indeed offer a legitimate foundation for the global future. A future ‘naturally’ to be led by those societies most advanced in the ways of the market and capitalist democracy.

The point here, of course, is that while there are differences between realist and liberal inspired perspectives on the contemporary global order, neither mainstream perspective acknowledges a necessity to critically examine its first principles or its fundamental understanding of global reality. Both, instead, represent their narratives of reality as founded on universalist and irreducible principles – be it the modern individual state seeking security and prosperity in an anarchical world of states, or the individual citizen on a similar quest in a world of self-interested consumers. Either way, realists and liberals in IR and IPE invoke the modern Western system, led by the most powerful capitalist states, as being the structural keystone of order, freedom and prosperity, the template for any globalisation project and the basis, therefore, for any ‘common sense’ approach to the global present and future. Hence, the ‘TINA principle’,

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most famously elaborated by Margaret Thatcher, when she insisted that there is no alternative to neoliberal globalisation — nor should there be.

Beyond the IR and IPE mainstream, however, there are distinctly different responses to this projection of ‘common sense.’ One of these responses has seen Robert Cox introducing Gramscian thought to the IR and IPE literature, and I will say more about Cox’s contribution in this regard shortly. For now, another Coxian contribution is worth touching on, that which, in the early 1980s, saw him adapting Frankfurt School thinking in order to distinguish between ‘critical’ theory and ‘problem solving’ theory in IR and IPE (Cox 1981). Mainstream IPE thinking, Cox argued, represents the latter tendency, in that unlike its ‘critical’ counterpart it effectively leaves the status quo unquestioned and focuses instead on solving its problems in order that the system might work more ‘efficiently.’

For Cox, the origins of this ahistorical adherence to the status quo are to be found in a mainstream ontology that simply assumes the foundational actors in the system to be ‘given’ — e.g. as the individual state in an anarchical system or as the individual citizen in a world of self-interested competitors — both deemed to be acting rationally and naturally to fulfil their desires for security and prosperity. In this circumstance there is no need for ‘esoteric’ theory — no value in ontological examination of natural and rational behaviour at the individual, state and inter-state levels. Those who would seek to question, in this context, are by definition those unable to comprehend or accept reality or who, for ideological reasons, seek to bring down the status quo and render the system and the global community vulnerable to anarchical and destructive forces.

Which brings us back to mainstream IPE analyses and the Pink Tide in Latin America, a phenomenon censured from one orthodox perspective as part of a threat narrative that somehow includes al-Qaeda and Hitler; and, from another perspective,
condemned for its rejection of a free market project that is assumed to be serving a natural and inevitable imperative of all modern peoples in all regions of the world.

It is in this regard that I proposed earlier that mainstream accounts of the Pink Tide phenomenon are inadequate and superficial, and that a more comprehensive analytical approach is necessary before it can be understood and evaluated. I want to say something now about this more comprehensive approach, which seeks to include that which is largely excluded in the mainstream literature. In particular, issues of history, culture, race, justice, inequality, poverty and ideology – issues that are integral, I will argue, to the Latin American struggle in general and the current Pink Tide experience in particular.

More specifically this thesis will seek to evaluate the Pink Tide phenomenon in broad critical theory terms; in terms that do not take the current world order as ‘given,’ but which seek to historicise and politicise it and to examine its origins and development as a process of collective human agency. In this regard I want to critically examine these processes in order to understand them and to evaluate their transformative and emancipatory possibilities and potentials. In relation to the Pink Tide phenomenon these possibilities and potentials relate to its relationships with both neoliberalism, as the ideology of free market globalisation, and with the U.S., as the global hegemon and the primary driver of the current globalisation project in the period since the 1970s.

* A Critical Approach: Gramsci and the Tradition of Historical Materialism

As indicated earlier there is another, more precise, critical orientation to this thesis, derived from the works of Gramsci and more generally the Historical Materialism (HM) of Karl Marx (1815-1883). In this general context the current world order is most usefully understood in terms of the contemporary development of capitalism as an
extraordinarily powerful transformative and exploitative system of production; faced in
the mid-20th century with structural and fiscal crisis at its Western core and adapting
itself to a great new expansionary phase in its relentless pursuit of profit. From a
Gramscian perspective, of course, this globalisation of capitalism’s productive forces is
complemented by an ideological project crucial to its success. To the extent that it is
successful, the ideology of capitalism’s productive and social relations becomes
‘common sense,’ so much so that those who are most exploited and demeaned by it
become its most enthusiastic advocates.

This, for Gramsci, in the 1920s and 1930s, was the fate of the working classes in
those areas of the industrialised world that Marx had expected to be at the forefront of
socialist revolution by the late 19th century. Instead, argued Gramsci, capitalist ideology
had become hegemonic at the core of the Western world as part of an ‘historic bloc,’ a
strategy by which a dominant class can reformulate and adapt its exploitative aims in
different historical and political circumstances to retain power, invariably in alliance
with other classes and social actors organised around a coherent set of (hegemonic)
ideas and institutional processes.

The issue of neoliberal globalisation, and the emergence of the Pink Tide in
Latin America, I will argue, is best understood in terms of this ‘historic bloc’ theme, as
are the questions of transformation and emancipation associated with it. This is because,
as Gramsci emphasised, even the most powerful ‘historic bloc’, underpinned by the
most compelling ‘common sense’ representations of social reality, is inherently
unstable, riven with tension and is always under contestation. Consequently there is
always space for ‘counter-hegemonic’ responses to the dominant powers in the historic
bloc. In this sense, and put simply for now, the Pink Tide can be seen as a manifestation
of the instabilities, tensions and contestability of the neoliberal ‘historic bloc,’ designed
since the 1970s by the U.S. in particular, to reconfigure global capitalism and its global
hegemony. A strategy that has provoked various degrees of counter-hegemony in Latin America as a response to the impact of neoliberal globalisation at the politico-economic, societal and ideational levels.

This struggle can be understood, in Gramscian terms, as a ‘war of position’ – a prolonged struggle at the site of political and civil society to contest and reconstruct those ‘common sense’ understandings of the world which underpin an existing hegemony. Such reconstructed understandings can then be fashioned into alternative worldviews and emancipatory hegemonic projects. There is value in understanding the contemporary situation in Latin America in these terms, I will argue, most particularly because of the nuance of Gramsci’s thinking on the issue regarding its possible outcomes. He suggests, for example, that there can be significant gradations in the emancipatory responses to hegemonic power and that one should not expect universalised answers to complex questions asked in different historical, cultural and political settings.

One such response is represented as a ‘passive revolution’ – understood as a strategy of ‘reforming’ society from above in order to preclude a more radical challenge from below. Accordingly, while a passive revolution might involve significant concessions being granted to subordinate classes, its ultimate aim is to maintain and protect the ‘common sense’ ideas and protocols that serve the interests of the status quo. I will argue later that the Brazilian experience under President Lula and his successor Dilma Rousseff is an example of ‘passive revolution’ in Latin America in the current era.

Gramsci also spoke of more genuine radical responses emerging from the struggles of the war of position that aim to overthrow the ruling common sense and the hegemonic power relations it serves in favour of a revolutionary praxis that serves the
interests of the subordinate classes. The Bolivarian revolution invoked by Hugo Chávez in Venezuela is, I will contend, an emancipatory response of this kind.

In this sense, at least, I accept the notion that there are ‘two lefts’ within the Pink Tide grouping, articulated most explicitly by Brazil and Venezuela. But unlike Castañeda and many others in recent times, I understand these ‘two lefts’ as being dialectically related rather than dichotomously distinguished from each other. My view, in other words, is that while it is evident enough that the Brazil of Lula and Rousseff is intent on working with neoliberalism rather than against it, and readjusting its relationship with the U.S. rather than rejecting it, the ‘passive revolution’ in Brazil can be understood as creating a range of potentials that might, in circumstances to come, be conducive to a more radical politics similar to that on display in Venezuela.

There are large and significant differences between Brazil and Venezuela, of course, and caution is called for in any proposal regarding their dialectical intersection. But at the regional level, in particular, while there are clear distinctions in their images of an evolving Latin American bloc in world affairs, there are also important points of congruence that have formed a common ground for the construction of the regional integration projects I mentioned earlier – projects that strive to make Latin America more autonomous and independent in the neoliberal world order. This shared pursuit of autonomy and independence, I will suggest later, has the potential for more radical pursuits in different historical and politico-economic circumstances.

One can only speak in terms of potentials in this regard because the current phase of the struggle over hegemonic rule is only just beginning in Latin America, and its final outcome cannot possibly be known. Nevertheless, the very existence of this struggle, and the consciousness of alternative futures it has raised among millions of previously excluded peoples, in both ‘radical’ sites and in ‘passive’ ones, cannot be ignored in any comprehensive analysis of the contemporary IPE in the Latin American
region and beyond it. A Gramscian approach does not ignore this issue; indeed it pays particular attention to it, as will this thesis in the later chapters.

Not everyone thinks this is a good idea, of course, and indeed from inside the broad IR community there are serious reservations about the legitimacy of the approach to be utilised here. A 1998 article by Randal Germain and Michael Kenny in *Review of International Studies* set out these reservations succinctly and effectively. Its primary concern was that applying Gramsci to contemporary IPE issues is both to misrepresent his Marxian legacy and to misunderstand the nature and limitations of his work in its early 20th century context.

In particular, Germain and Kenny question the validity of using the insights of a thinker who ‘grappled with the realities of “statism” in the early twentieth century’ in order to critically evaluate hegemonic power in a globalised political economy in the twenty first century (Germain & Kenny 1998, 4). They insist that ‘the historical nature of Gramsci’s concepts means that they receive their meaning and explanatory power from their grounding in national social formations,’ and cannot be simply ‘internationalised,’ to explain situations and issues beyond the boundaries of the nation-state (Germain & Kenny 1998, 20).

In response, a number of Gramscian scholars have countered that while this is an important critique worthy of serious attention, in many ways it does an injustice to the breadth and depth of Gramsci’s legacy. Robert Cox’s initial introduction of Gramscian thinking to IR (Cox 1983), engaged these issues directly. Cox acknowledges that while there are a few passages in the *Prison Notebooks* that deal explicitly with international relations, it is clearly the national level and class relations within the state that are the fundamental sites of Gramsci’s analysis (Cox 1983, 169). Nevertheless, as Cox also recognises, the historical struggles of workers against capitalist class power do not occur in isolation, but are always part of the global context in which capitalism pursues
its profit imperative. Accordingly, Gramsci recognises that while ‘the point of departure is “national”...the perspective is international and cannot be otherwise’ since ‘international relations intertwine with these internal relations of nation-states, creating new, unique and historically concrete combinations’ (Gramsci 1971, 240, 210).

The domestic and international levels are thus linked, in a dialectical manner and cannot be otherwise. This relationship is engaged by Gramsci in this way:

do international relations precede or follow (logically) fundamental social relations? There can be no doubt that they follow. Any organic innovation in the social structure, through its technical-military expressions, modifies organically absolute and relative relations in the international field too...however, international relations react both passively and actively on political relations (of hegemony amongst the parties).

(Gramsci 1971, 176)

The national state thus is for Gramsci the nexus between the domestic and the international realms, and the strongest states are those that have successfully consolidated their social formations into hegemonic historic blocs which then spill beyond their borders and impact on the international arena. Other states, however, most often in the global periphery, which have not managed to construct such stable social orders, are in a more subordinate position in the domestic-international dialectic (Gramsci 1971, 264). As a result, rather than being active shapers of the global order, states on the periphery are, for the most part, at the mercy of the hegemonic system, hence the usual responses via processes of ‘passive revolution’ (Gramsci 1971, 116). Consequently, while no ready-made blueprint of a Gramscian IR theory exists, Cox proposes that there are conceptual and analytical ‘openings’ within his work that can be utilised to examine international phenomena. Over the past three decades, a number of scholars have built on these openings to construct a ‘neo-Gramscian’ approach to IR
and IPE, in a search for a more critical and emancipatory understanding of the current neoliberal world order (see for example: Overbeek & Pijl 1993; Cox 1987; Gill 1990; 1993a; Murphy 1994; Robinson 1996b; 2008; Rupert 1990b; 2000).

It is in regard to these ‘openings’ that this work seeks to critically examine the economic, political and ideological processes by which the global dominant classes construct their hegemony and the subordinate classes construct their counter-hegemonic responses. Its purpose, consequently, is to illuminate emancipatory and transformative possibilities towards a counter-hegemonic world order in Gramscian terms, particularly in Latin America.

The Structure of the Thesis

Chapter 1 examines orthodox IPE approaches to globalisation and proposes that their shortcomings stem from their narrow ontological commitments which preclude them from considering the possibility of alternatives to the current world order. At the end of the first chapter I introduce the HM tradition as a critical alternative, whose ontological foundations can be interpreted in such a way as to transcend the shortcomings of the orthodoxy. Subsequently, in Chapter 2, I construct an alternative framework of analysis on this ontological foundation – a framework based on the work of Marx and Gramsci. This framework, I argue, enables an analysis of the capitalist underpinnings of the current world order, as well as its ‘consensual’ nature constructed by neoliberal social forces at the international level.

In Chapter 3, I analyse the historical origins of the current neoliberal world order and its relationship to the Pax Americana order that preceded it. The crisis of Pax Americana, I suggest, sparked a prolonged ‘war of position’ in the 1970s, in which the neoliberal social forces eventually came out on top, from whence they proceeded to restructure the world in their own image. In order to be hegemonic, I argue, this
restructuring required a politico-ideological project based on the ‘competition state’ and the ideology of the ‘Washington Consensus,’ which could win the consent of societies across the world for the new world order. I suggest that overall, this politico-ideological project has been successful in attaining this consent, at least in the countries of the industrialised core. In the periphery, this consent has been much more tenuous and began unravelling by the end of the 1990s.

These suggestions are then taken up in more detail in relation to Latin America in Chapter 4. Here, the Pink Tide is situated in the context of the neoliberal world order outlined in the previous chapter. The origins of neoliberal restructuring in Latin America are located in the ‘organic crisis’ of the regional variant of Pax Americana – the import substituting industrialisation (ISI) historic bloc. The crisis of the ISI bloc, I argue, triggered a prolonged war of position in the region through the 1980s and early 1990s. Throughout this period, neoliberal forces managed to win a degree of consent for their project in most societies across the continent, by promising to restore stability and predictability to economies racked by over a decade of recession and hyperinflation in the short term, and to bring a sustained prosperity and progress in the long term. I argue that while the stability aim was achieved in most of the region – giving neoliberalism a moment of hegemony in the early 1990s – this hegemony was contingent on the long term promises of prosperity and progress. When these promises remained unfulfilled by the late 1990s, the neoliberal project also went into crisis, sparking the search for alternatives embodied in the Pink Tide.

I then turn more directly to the Pink Tide issue. In Chapter 5, I examine Venezuela’s Bolivarian Revolution as a counter-hegemonic challenge to the current neoliberal world order. I locate its origins in the failure of neoliberal social forces to resolve the organic crisis of the previous ISI bloc. In contrast to most other countries in the region, neoliberalism failed to even achieve its short term goals in Venezuela, with
the country continuing to experience recession and inflation throughout the 1990s. The result was a radical response which began to challenge not only the neoliberal project but also the very foundations of class rule in Venezuela. These challenges eventually coalesced around the person of Hugo Chávez, propelling him to the Presidency in 1998. Chávez’s Bolivarian Revolution, I argue, can be represented, in Gramscian terms, as a search for a ‘collective will,’ centred on a radical ideological worldview as part of the process of constructing a counter-hegemonic strategy in Venezuela. In the chapter I examine the various political, economic and social dimensions of this Bolivarian project. I conclude it by arguing that while this is a process that has only just begun in historical terms, and one that faces a number of internal and external pressures, it nevertheless represents at least the contours of a powerful radical alternative to the neoliberal project.

In Chapter 6, I focus on Brazil, and Lula’s passive revolution. Its origins are also located in the crisis of the ISI bloc. In contrast to the situation in Venezuela, the neoliberal social forces were able to resolve this crisis by the early 1990s, at least in the short term. However, while neoliberal restructuring managed to end the recession and hyperinflation plaguing Brazil, it failed to deliver its long term goals of prosperity and progress, despite promises to implement a social democratic ‘Third Way’ project to accompany the neoliberal reforms. The presidency of Lula (2003-11), and his successor Dilma Rousseff (2011-), I argue, can be understood as the installation of this Third Way project, implemented by a broader coalition of social forces, yet still led by the dominant classes. As such, the Brazilian Third Way can be understood as a ‘passive revolution’ that has delivered significant material concessions to the subordinate classes and which involves a more powerful ideological project based on notions of (political, economic and racial) ‘inclusion.’ This reformed neoliberal project, has managed to win the consent of almost all sections of Brazilian society, especially its poorest sectors. At
the same time, however, it has sought to re-embed limiting self-understandings in the popular common sense, in order to preclude mobilisation for more radical ends. Lula’s passive revolution, I argue, has largely succeeded in this regard, stifling the possibilities for radical counter-hegemony in the country.

However, while the possibilities for radical counter-hegemony are limited within Brazil, its prospects are brighter at the regional level where Brazil’s passive revolution intersects with Venezuela’s Bolivarian Revolution. This process is the focus of Chapter 7, where I outline the contrasting proposals of Venezuela and Brazil for the integration of the Latin American region, and argue that despite their differences, the Chávez and Lula/Rousseff administrations represent a shared, if contested, ‘common sense’ as a basis for Pink Tide cooperation in the current era. The importance of this process, I argue, is that it opens up political, economic and ideological spaces from which radical forces can seek to win consent for their project in the regional war of position. I examine these spaces, and the prospects of the radical forces within them, concluding that while the regional war of position may be only beginning, there are counter-hegemonic potentials within the Pink Tide phenomenon that could become actualised in future struggles. This, in itself, is a significant change since the 1990s when the region was dominated by a common sense based on deference to market forces, U.S. hegemony, transnational capital and the ‘TINA’ principle.

In the Conclusion, I return to the theme that opened this introductory chapter in examining the prospects for American hegemony in the region. I locate the growing inability of the U.S. to secure its hegemony in Latin America in the larger global context by outlining briefly the other challenges that U.S. hegemony faces around the world; in particular, the rise of China, the continuing instability in the Middle East, the post-2008 crisis of global capitalism, and the legacy of the Bush Administration. These challenges, I suggest, mean that the U.S. is unable to effectively participate in the Latin
American war of position as it has in the past. With its focus distracted by major global issues, the American hegemon will find it harder to develop the ‘consensus’ dimension of its Latin American strategy and might, under the pressure of a radicalising Pink Tide phenomenon, revert to more coercive means in order to maintain its traditional control over the region. In so doing it could well accelerate the desire for more political, economic and ideological autonomy throughout Latin America. Whether this will result in genuine counter-hegemony within the region remains to be seen, but at the very least it represents the opening of more radical possibilities as part of the struggle for the future of Latin America. This thesis seeks to shed some light on the origins, nature and prospects of these struggles in order to illuminate these possible futures.
Chapter 1: Orthodox IPE Accounts of Globalisation and the Need for Critical Alternatives

In the Introduction, I indicated that mainstream analysis of the Pink Tide phenomenon in Latin America is invariably underpinned by orthodox International Political Economy (IPE) understandings of neoliberal globalisation. I suggested that much of this analysis offers at best a simplistic and superficial understanding of the Pink Tide, primarily because it lacks an adequate appreciation of the social and historical context within which the phenomenon has emerged. Instead, I argued, orthodox IPE analysis is best understood in ideological terms – as the scholarly dimension of attempts to discredit and domesticate the Pink Tide in order to defuse its counter-hegemonic potential. In this sense, mainstream analysis can be understood – in Gramscian terms – as creating a ‘common sense’ understanding of the current world order as natural and immutable, and therefore not worth challenging (e.g. the TINA principle). Consequently, I proposed that before a more profound analysis of the Pink Tide can be undertaken, there is a need firstly to critically re-examine orthodox IPE accounts of globalisation, and the common sense assumptions which underpin them and drive their ‘naturalistic’ conclusions. Such an examination is undertaken here, with the purpose of illuminating the shortcomings of orthodox analysis and its ideological function and highlighting in the process the need for a different, more comprehensive approach to the current world order.

I begin thus with a brief outline of the origins and key theories of orthodox IPE which ostensibly represents a wide and varied spectrum of insight and perspective. In particular, I engage both realist and liberal frames of reference on globalisation and their
implications for understanding and shaping the current world order. Realist analyses, I suggest, contend that while ‘market forces’ provide the basis for globalisation, it is state power that ultimately gives markets their ‘force.’ Consequently, rather than being the harbinger of a new world order, globalisation is perceived as simply a contemporary chapter in the timeless (albeit rational) pursuit of power and security by states within a still anarchical international system. Liberal analyses, on the other hand, understand globalisation as the result of natural human desires to maximise wealth and liberty via modern individualist rationality. As a result, liberals perceive globalisation as offering ‘the prospect of at last fully realising the promise of modernity;’ a modernity stimulated by ‘free market’ relations and attitudes (Scholte 1996, 50-1). Some liberals, nevertheless, have quite serious reservations about the effects of the excesses of market forces upon peace, democracy and prosperity in the world; and I will touch on these reservations in a moment.

Suffice for now to say that for all the empathy displayed by some liberal commentators, the narrow frame of reference shared by the orthodox approaches in IPE restricts their analytical and political engagement with the issues in the global economy which have resonance for most people – issues of poverty, inequality, culture and ethical behaviour. As a result, neither realist nor liberal perspectives adequately represent the experiences of the vast majority of the world’s population. Indeed, even the most comprehensive of them effectively ignore issues of class and its associated processes of exploitation inherent in the current neoliberal order.

This narrowness stems, I suggest, from the ontological moment, where orthodox IPE frames its understandings of the key actors in the international system – either as the rational, utility maximising individual striving for wealth, power and security in an aggressive, competitive ‘market’ environment and/or the individual-as-state following the same kind of rational imperatives in the anarchical world order (see: Lamy 2005).
By presenting these particular images of human and systemic characteristics as universally valid and intrinsic to ‘human nature,’ orthodox IPE essentially precludes the possibility of ‘open’ democratic thinking and radical change in society, as it fundamentally restricts both the social phenomena that can be analysed and the ways in which their analysis can be carried out. This helps create a ‘common sense’ conception of the world, which negates and discredits alternative ways of thinking about it. In this regard, and in Robert Cox’s terms, mainstream IPE is ‘problem solving theory’ in that it takes the world as ‘given,’ and by not inquiring into its historical and political origins exhibits an ideological bias towards the structural and political status quo. This conservative nature of orthodox IPE leads me to introduce a more critical approach in the final section of this chapter – that derived from the works of Marx and, most particularly, Gramsci, and I engage in a more detailed discussion of Gramscian thought in Chapter 2. My concern at the conclusion of this chapter is to explain the ontological advantage that a Gramscian approach presents in relation to orthodox approaches to IPE.

Orthodox IPE: Realist and Liberal Approaches

As indicated above, orthodox IPE has its roots in the mainstream tradition of International Relations (IR); a tradition that, at its core, sees the state as the principal actor in the international system, with its primary objective being the pursuit of power and security in an anarchical inter-state system. In this power politics scenario there has, traditionally, been little attention paid to issues of economics – considered ‘low politics’ in comparison to the ‘high politics’ of military strategy and diplomacy.

Since the 1970s, however, following the U.S.-driven deregulation of global markets, the crisis in the (Keynesian inspired) post-World War II Pax Americana world order, the OPEC oil crisis and recession throughout the capitalist core, economic issues
could no longer be ignored, even in IR. Accordingly, they were incorporated into a
developing IPE literature, which sought a broader, updated image of global reality, but
without a fundamental reformulation of orthodox disciplinary parameters (RIPE 1994,
5).

Mainstream IPE thus became the study of ‘states and markets’ in realist and
liberal terms – most influentially articulated as neorealism and liberal institutionalism
(Lamy 2005). This analysis now took place within a framework still underpinned by the
logics of anarchy, violence and zero-sum competition on the one hand, while
acknowledging issues of integration, cooperation and absolute gains on the other. It
asked specifically: ‘in a world of conflicting nation-states, how does one explain the
existence of an interdependent international economy?’ (Denmark & O’Brien 1997,
215; Gilpin 1975, 39).²

Realist IPE and Globalisation: The Timeless Struggle for Power and Influence
In answering the above question, realist literature within the orthodox IPE spectrum
generally argues that the new global economy is primarily enabled by the activities of
the most powerful states, seeking in updated terms to protect and enhance their own
systemic interests in a minimally reconfigured global order (Grieco & Ikenberry 2003,
2). This basic and highly influential position is as integral to the neorealism of Robert
Gilpin (1987), as it is to the more traditional historically based realism of Ian Clark
(1999).

² It must be noted that conventionally, a ‘Marxist’ approach is also considered part of the orthodox
spectrum, at least by theorists within the orthodoxy itself (Gilpin 1987). However, this Marxism has been
usually based on a deterministic and structural interpretation of Marx’s work, which share many of the
shortcomings of the orthodoxy. Moreover, the degree of actual engagement between the other orthodox
theories and this Marxism is questionable. In most cases, it consist of a tokenist outline of the Marxist
approach, followed by its quick discarding in favour of one of the other dominant approaches in the
spectrum, or sometimes a hybrid of both. For an example see: (Katzenstein et al. 1998, 664-5). For an
exception and an attempt to develop a more sophisticated Marxist approach in IPE see: (Gill & Law
1988).
In general, the breakdown of the Bretton Woods regime in the 1970s that, initially at least, weakened the economies of the U.S. and its major allies, is seen by realists as the catalyst for a reformulated power drive by the major states (Hirst & Thompson 1996, 5-6). The deregulation of global markets was thus enthusiastically adopted by the major states as they adapted their power politics strategies to take advantage of the changing global environment – as facilitators of multinational capital and as competitors in the struggle to penetrate and dominate foreign economies and societies around the world (Krasner 1994; Clark 1999).

A useful insight into the updated neorealist mindset is offered by Lamy (2005) who examined the IPE spectrum of the post-1990 era. The actual scenario, he concluded, was less a spectrum of ideas and more a narrow integration of fundamental assumptions drawn from traditional IR. The result is a narrow IPE orthodoxy which asks restricted questions of the world and produces restricted answers. In Lamy’s terms, it ‘focus[es] on similar questions, and agree[s] on a number of assumptions about man, the state, and the international system’ (Lamy 2005, 215). The result is ‘a narrowing of choices and a narrowing of the issues and ideas that define our study of international politics’ (Lamy 2005, 221).

Realist IPE is particularly vulnerable to this criticism, with some arguing that even in the 21st century realists are more concerned with the welfare of the state and the state system than of the citizens within it (Long 1995, 495). Certainly, the power politics framing of the systemic whole has led to the criticism that issues of poverty, for example, intrinsic to the credibility of the globalisation project, are largely ignored by realists, particularly those ascribing such problems to the ‘domestic’ sphere (Gilpin 2001, 21; Keohane 2002, 30). Gilpin (2002) puts it succinctly enough, proposing that in a power politics world, the systemic competition between states means that international inequalities will never be eradicated. This is a view also held by those who consider an
emphasis on poverty eradication and deep political change as being little more than 'utopian' (Keohane 2002, 25).

Much of this realist analysis remains explicitly focussed on the hegemonic role of the U.S. in the neoliberal era, insisting that the U.S. was always crucial to the process of neoliberal globalisation, to the extent that it can be equated with 'Americanisation' (Gilpin 2001; Waltz 2000). In this sense the U.S. – as the hegemonic power – has acted entirely rationally in facilitating neoliberal globalisation, not only to promote its own national/global interests but also in acting to ensure that a market-based world order remains politically and strategically stable. Indeed, without the 'hegemonic stability' provided by the U.S. the global success story that is neoliberal globalisation could no longer continue (Gilpin 2000). Other realists take a slightly different position, maintaining that while the U.S. may have been crucial to the establishment of the current globalisation period, a less committed U.S. would not necessarily entail the reversal of the current status quo, because it works to the great advantage of the other major states who would work to sustain it (Ikenberry 2001; 2007). The point, in either case, is that the spectrum of realist analysis accepts that, from its beginnings, neoliberal globalisation has been a political and strategic project dominated by the U.S. and its major allies, and that it will remain so in any foreseeable future.

Reinforcing this point, there is a significant realist literature which contests liberal arguments about the actual extent of contemporary 'economic' globalisation and the degree to which it is a novel development. Indeed, the tendency here is to speak of 'internationalisation' of economic activity, rather than of a unique 'globalisation' phenomenon (Hirst & Thompson 1996). To illustrate this claim, some realists point out that the economies of the most powerful states remain oriented towards domestic production, and that genuine Transnational Corporations (TNCs) are few and far between, with most companies more accurately described as Multinational Corporations
(MNCs) (McBride 2000, 27-8). While these corporations trade across the globe, they do so from a national base, and frequently rely on their home governments to either protect their activities in existing foreign markets, or to open up new ones. Likewise, this realist literature maintains that claims concerning a new global division of labour are overblown and overemphasise the experience of a small number of countries in East Asia which have managed to industrialise and switch their export profiles to manufacturing (Hirst & Thompson 1996). Most of the remaining economies in the periphery continue to export primary products, while the core still dominates the trade in manufactured goods.

Consequently, a number of realists contend that the main tendency in the new international economy is ‘triadisation’ in which the ‘core’ areas of the international system – in Western Europe, East Asia and North America – continue to receive the great majority of foreign direct investment and the major rewards of the global free market (Rugman 2001; Grieco & Ikenberry 2003). From this perspective, the current era is seeing the return to a natural trajectory in the international economy following a hiatus due to two World Wars and the Cold War (Waltz 2000; Hoffmann 2002; Ferguson 2005). And from this same realist perspective, today’s international economy is arguably less open and less integrated than the belle époque period during the late 19th century (Hirst & Thompson 1996; Gilpin 2001; O’Rourke & Williamson 1999; Krasner 1994; Waltz 2000). In this sense, globalisation represents, not a unique phenomenon, but a new chapter in the timeless realist narrative concerning the pursuit of power and influence by the most powerful states in the international system.

On this basis, realist analysis does not foresee radical change for the system. Globalisation, it argues, does not ‘threaten’ the state system because globalisation serves the interest of the system – at least for its major powers – who will continue to act rationally to ensure systemic survival and prosperity. There has been some necessary
adaptation to policy frameworks and some systemic constraints to be endured, but among the major states in the 21st century there is a functioning, if not always harmonious, acceptance of the rules of the globalisation game. An acceptance that sees the European ‘social democratic’ model and its East Asian counterpart coexisting and competing with the more explicit American ‘neoliberal’ model for power, influence and prosperity (Weiss 1998). Indeed, for realists, this is what TINA (There is No Alternative) really means.

There is, nevertheless, acknowledgement that among weaker states on the periphery there will be social and cultural instability as they follow neoliberal dictates in the struggle to survive in a ‘market’ environment. But here, as in the past, it is assumed that indigenous ruling elites will seek accommodation with the major states and international institutions (e.g. the World Bank, the IMF) in order to retain their power and status.

In this regard, of course, realist analysis has much in common with its critics, especially on the left. But whereas there is outrage and the call for radical change from these quarters; for realists the shared concern of the economic and political actors in the system to maintain the status quo is simply the way things ‘are’ in a power politics context. Furthermore, as long as such a status quo provides the most precious of global ‘public goods’ in an anarchical system – order and stability – it is a status quo worth preserving, and no more ‘theorising’ is necessary on the subject.

Liberal IPE and Globalisation: Realising the ‘Promise of Modernity’

Most liberals indicate a more acute awareness of the symbiotic character of contemporary globalisation than do most realists, but their emphasis is on the power of ‘market forces’ upon the sovereign state and the state system. Liberal approaches vary: from the hyperglobalist (Ohmae 1995), which argue that the state has been rendered
effectively irrelevant by the neoliberal global economy; to liberal institutionalist approaches (Keohane & Nye 2000), which hold that the interdependence of the neoliberal global marketplace requires more sophisticated understandings of institutionalist protocols and management techniques; to ‘transformationalist’ positions (Held & McGrew 2007; Falk 1999) that do articulate humanist concerns about the role of both markets and some neoliberal institutions in increasing global inequality and the ‘democratic deficit’ in the neoliberal era.

In general, if realists consider globalisation as being effectively a contemporary reiteration of traditional power politics; liberals consider it to be a significant new development with potentially new implications for the global community. Those most explicitly wedded to a neoliberal worldview promote the current globalisation era as the springboard to a brave new frontier in which the culture, technologies and democratic traditions of the modern Western experience might be transposed upon the world in general. Echoing their 19th century forebears, these contemporary liberals largely reject the notion that power politics principles are intrinsic to global peace and security, and suggest that such privileges are more rationally – and realistically – derived from the impact of the capitalist market upon the traditional system (Fukuyama 1992). At its more extreme end, of course, this kind of logic can lead to the ‘muscular Wilsonianism’ of the G.W. Bush years, when the faith in the Western liberal-capitalist way to peace was rationalised in violent and belligerent terms in regard to those who, for one reason or another, rejected the opportunity for economic, cultural and political transformation in the orthodox Western image.

In the IPE debates on globalisation this theme has not been as evident as in the larger IR debates. For IPE liberals the focus has been primarily on a confluence of market, technological and cultural developments which are, in combination, making the world a more integrated and interdependent place – a more likely site for political
harmony and prosperity (Held et al. 1999). The ontological and broader philosophical assumptions underlying this analysis are evident enough, of course, in the oft-cited proposition that globalisation is the realisation of ‘natural’ human desires set free by the end of the Cold War; the demise of socialism, the great post-Enlightenment barrier to market freedom; and extraordinary developments in technology that have shrunk time and space.

Globalisation, in other words, is seen as offering ‘the prospect of at last fully realising the promise of modernity,’ in that it offers the whole world the benefits and opportunities until now reserved for modern Westernised peoples (Scholte 1996, 50-1). In this sense it is an expression of the ‘natural’ progression of human development – from feudal and utopian thinking to market inspired rationalism; from collectivist and socialist anachronism to a competitive individualist culture in which entrepreneurial and consumerist imperatives can be liberated (Friedman 2000).

Thus, liberal approaches are positive about the political and social consequences of a free market based world order. The free movement of capital and goods across borders, for example, is seen as leading to gains in efficiency and growth, as the globalisation of production increases customer satisfaction in the capitalist core and creates jobs in the periphery (Bhagwati 1998; Bryan & Farrell 1996; Friedman 2000). And while much liberal analysis acknowledges the role of the state in facilitating this process, the significance of this role is reduced. Instead, it is the mobility of capital, the development of global markets, and the reach and technological expertise of global corporations that are perceived as the dominant factors in the attempt by states to adjust to a changing reality with which they otherwise could not cope (Held & McGrew 2007, 111). In the desire to maintain sovereign control and status, therefore, states must adopt ‘market-friendly’ neoliberal policies if they want to retain ‘business confidence.’ This entails adopting neoliberal policies – of deregulation, privatisation and liberalisation –
in order to avoid capital flight, economic decline and isolation from the global economy (Bergsten 1996; Bryan & Farrell 1996; Yergin & Stanislaw 1998).

Opening up to the global economy in this way, liberals maintain, brings development and prosperity, as evidenced by the fortunes of the Newly Industrialised Countries (NICs) in East Asia in the 1970s and 1980s, and the rise of the BRICs (Brazil, Russia, India and China) in the 21st century (Scholte 2005, 31). Thus, according to this liberal narrative, globalisation is seen as reducing inequalities between states and extending the benefits of capitalist development to those previously left out of the global economy (Krueger 1992).

There is, moreover, general agreement amongst liberal analysts that with the diffusion of information and closer integration of societies around the world, globalisation promotes convergence around the values of democracy and human rights; values regarded as integral to the Western developmental model and free-market capitalism (Friedman 2000). As indicated, liberals argue that this process benefits not only individual societies but also the international system as a whole, by increasing international cooperation and decreasing the likelihood of war (Keohane 1984; Doyle 1983). In this sense the TINA principle is accepted and applauded as for the ‘common good.’

Liberal Hyperglobalism

The most radical of the liberal analyses, labelled hyperglobalist (Rosecrance 1999; Ohmae 1993; 1995), are most enamoured with TINA, because of their sense that the process of global integration is nearly complete, and that an effectively borderless global economy has emerged. This entails a new epoch in human history, in which ‘the nation-state has become an unnatural, even dysfunctional unit for organising human activity and managing economic endeavour’ (Ohmae 1993, 78). Hyperglobalist
accounts argue that since economic activity now takes place at the global level, states are becoming redundant as their citizens bypass them in order to plug directly into the global economy, where they develop a new global consciousness based on consumerism and the ‘universal’ values of liberal individualism. Consequently, a new ‘global civil society’ is developing, which transcends states in regulating and governing the international system.

Hyperglobalist accounts are thus highly optimistic about globalisation’s realisation of the promise of modernity, seeing it as creating a radical new world order where individuals, unconstrained by the dictates of stifling bureaucracy and power politics, pursue their individual development in the global market. Markets have thus triumphed over states, and market logic has trumped power politics logic, effectively marking the end of the Westphalian state system. This new world order guarantees not only freedom but also prosperity. Indeed, to the hyperglobalists, the past three decades have proven unequivocally that poverty and inequality can only be reduced through market forces and that any resistance to the market and the global consumerist project must be overcome if the promise of modernity is to be fully and finally fulfilled (Wolf 2004).

*Liberal Institutionalism*

Not all liberal accounts are quite this enthusiastic about the promise of modernity. The liberal institutionalist approach, for example, acknowledges the emergence and development of a new global economy in the post-Keynesian era, but presents a more cautious face to TINA’s charms (Lipson 1984; Rosenau 1997; 2000; Nye & Donahue 2000; Nye 2002; Keohane 1984; 1998; 2001; 2002; Stein 1990; Baldwin 1993). With one foot often firmly in the neorealist camp, liberal institutionalists tend to reject claims of the demise of the traditional system (Keohane 2002, 30; Krasner 1994). The state
remains the central actor in the international system, and it is the state-created institutions and regimes within the system that are integral both to the success of the neoliberal project and to solving the problems created by it. Some of these problems, from market failure to environmental degradation, can no longer be dealt with by states individually, or without input from non-state actors; thus creating a ‘demand’ for international institutions. By enabling states to achieve their goals more efficiently, such institutions allow them to maximise absolute gains through cooperation and make them less concerned about relative gains by other states (Keohane 1989, 101-31).

Liberal institutionalists argue that such ‘complex interdependence’ makes traditional power politics and unilateral behaviour more costly and less legitimate, and that the interstate use and threat of military force has ‘virtually disappeared in certain areas of the world’, especially amongst those ‘Western’ states which have embraced globalisation most comprehensively (Keohane & Nye 2000, 116; Nye 2004a). There is acknowledgement, nevertheless, that such interdependence is far from universal, and military force remains a potent tool of the ‘new’ system, particularly beyond the ‘security communities’ of the Western democracies (Keohane & Nye 2000, 115-6). Liberal institutionalists argue, therefore, that the promise of modernity lies in an acceptance of interdependence, but within a hierarchy of governance centred on the rule of the major states. In this way ‘mediated’ change can take place with new actors like Brazil, India or China emerging and prospering as part of a more cooperative capitalist world order into the future (Keohane 1998; 2001).

For anyone misreading this as a ‘progressivist’ perspective, Robert Keohane makes clear its ideological and political orientation, proposing that liberal institutionalism is best understood as a:
reformist creed which does not promise social justice or equality, given the inequalities of power that exist in the international system...instead [it] seeks to build on what exists in order to improve it.

(Keohane 2002, 25)

There is no better articulation of a 'problem solving' perspective than this. Consequently, the 'liberal' dimension of the institutionalist approach is limited to elucidating how, without the political status quo being fundamentally transformed, closer integration between states and state-centric institutions can reduce conflict (Keohane 2002, 12).³

**Liberal Transformationalism**

Transformationalist analysis (Scholte 2005; Held et al. 1999; Castells 2000; Giddens 2000; Held & McGrew 2007; Falk 1999) is the site of the most critical thinking within the liberal spectrum in IPE. From this perspective, the promise of modernity centres on the prospect of a more equal, democratic and peaceful world that is not limited to the cooperative interactions of institutionalised states, or to the pursuit of ultimate utility in the global market. Rather, transformationalists suggest that the closer integration of economies and peoples can and indeed should give rise to a global cosmopolitanism, in which:

all human beings enjoy the status of equal moral value, reciprocal recognition, and have the means to participate in their respective political communities and in the overlapping communities of fate which shape their needs and welfare.

(Held 2003, 170)

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³ Such a stance has drawn criticism from a number of liberal commentators, who see the institutionalists' conservatism as a betrayal of the progressive promise of the liberal tradition. See for example: (Long 1995; Richardson 2001).
Transformationalists worry that this potential is being undermined by the forms that globalisation is taking; that gains in efficiency and growth lauded by hyperglobalists are too often skewed towards the more powerful, both within and amongst states, exacerbating inequalities rather than leading to a new era of global prosperity (Held 2004, 34-5). Moreover, while transformationalists agree with institutionalists that greater global interdependence carries with it a growing number of issues that cannot be dealt with domestically, they stress that the emerging architecture of global governance continues to be distorted in favour of the dominant states and vested interests. Worrying them too is the fact that the regulation of the global order remains too often in the hands of unelected and unaccountable bodies like the WTO, the IMF or the World Bank (Ruggie 2003, 96-7). As a result, an increasing number of decisions are taken at the global level, diminishing the range of decisions that can be made by democratic majorities within the confines of national communities. This, transformationalists argue, creates a ‘democratic deficit’ for the vast majority of people around the world, and undermines the very core of democracy – the idea of a community which governs itself and determines its own future (Held 1995b, 100). For transformationalists, therefore, globalisation may hold the potential for a more just and democratic world order, but such a potential is in danger of being subverted by the interests of the powerful.

In order to realise this potential, transformationalists propose a new cosmopolitan form of governance centred on a plethora of new global institutions – from regional parliaments to a second chamber in the UN General Assembly that would represent global civil society. This reconfigured system, it is argued, would challenge the domination of ‘vested interests’ in the current status quo and guide it in a more social democratic direction: by strengthening international law in favour of individuals and groups; by reforming the UN; and by capturing some of the profits of the rich world to address global poverty and welfare (Held & McGrew 2007, 195-7).
Transformationalist liberals thus envisage an international system in which states share authority with cosmopolitan citizens in order to transform liberal-capitalism into a more just and democratic system. (Held & McGrew 2007; Held 2004).

The cosmopolitanism of transformationalist liberalism appears thus to adequately tick the critical boxes concerning the neoliberal globalist project, and it has drawn understandably positive responses from within the Western ‘critical’ press and analytical communities. But for all the success of this, and other forms of liberalism and its realist counterparts, in persuading significant sectors of the global community that neoliberal globalisation is a positive and inevitable development in human society, there are many fundamental questions left begging concerning the orthodox account of the contemporary world order. I will touch on the Gramscian dimension of this questioning process shortly; for now, some general reasons for scepticism are worth noting.

*Questioning the Realist and Liberal Orthodoxy: Some General Responses*

At the core of this scepticism is an incredulity held in many critical circles about the claims made by the orthodoxy – both in its realist and liberal articulations – as to the achievements of the neoliberal project. In economic terms, orthodox claims regarding the need to unshackle markets in order to ensure global economic growth and prosperity contrast sharply with actual economic performance during the era of neoliberal hegemony. For example, between 1979-2000, the average annual growth rate of global per capita GDP was 1.5 per cent, just over half the 2.7 per cent rate achieved between 1960-1978, when markets were much more tightly regulated by states (Milanovic 2005, 34). In the 2000s, this rate increased to 2.3 per cent, leading many commentators to claim that the neoliberal reforms were finally paying off. However, as the 2008 Global Financial Crisis indicated, much of this growth was based on unsustainable levels of debt in the capitalist core, and financial speculation which artificially inflated the values
of assets (Wade 2011, 380). Following a 2.2 per cent contraction in 2009, the global economy rebounded in 2010 and 2011, but this growth has been driven by the very state-driven stimulus spending that is anathema to neoliberalism. As this stimulus has been withdrawn, fears about the sustainability of growth have returned (World Bank 2011).

Moreover, this growth has been distributed disproportionately towards the powerful, both amongst and within states. Indeed, 56 per cent of states experienced negative per capita GDP growth during the period 1980-1998, and income inequality has been increasing in the last 30 years (Wade 2008, 377). The income gap between the richest tenth of the world’s countries and the poorest tenth has almost doubled since the 1960s – from 19:1 to 37:1 (Milanovic 2005, 53). By 2007, the richest 2 per cent of the world’s adult population owned more than half of the global household wealth, while the bottom half owned less than one per cent (UNDP 2007, 2). The number of people living in poverty – on less than $2.50 a day – has increased in the neoliberal era, from 2.7 billion in 1981 to 3.1 billion in 2005. While the number of people living in extreme poverty – on less than $1.25 a day – has declined from 1.9 billion to 1.4 billion during that time, this decline has been entirely due to China, whose state-driven industrialisation has undoubtedly benefited from a more open global economy, but hardly qualifies as a neoliberal project. Leaving China out of the equation, the number of people living in extreme poverty increased by over a 100 million during this period (Chen & Ravallion 2008, 41). These numbers have only worsened since the 2008 Global Financial Crisis. At least 64 million people slid into extreme poverty by the end of 2010 as a result of the crisis, while between 30,000 and 50,000 children died from malnutrition in Sub-Saharan Africa as its consequence (World Bank 2010, 3-4). Overall, in 2009, 1.2 billion people in the world were undernourished, more than at any time since the 1970s (FAO 2009, 11).
Meanwhile, in the rich nations, the gaps between the rich and the poor have also grown sharply. According to a recent report, income inequality increased in 17 out of the 22 countries in the OECD between the mid-1980s and the late 2000s. Overall, the OECD’s average Gini coefficient has increased by almost 10 per cent during that period, from 0.29 to 0.316. The average income of the richest 10 per cent of the population in these countries is nine times higher than that of the bottom 10 per cent (OECD 2011). This gap is even greater in the countries that have embraced the neoliberal project most enthusiastically. In the United Kingdom for example, the household wealth of the richest 10 per cent of the population is now 100 times higher than that of the poorest 10 per cent; a level of disparity not seen since the end of World War II (Hills et al. 2010). In the U.S., the incomes of the top 1 per cent of the population grew by 275 per cent between 1979 and 2007, compared to 18 per cent for the bottom 20 per cent over that period (Congressional Budget Office 2011). While the Global Financial Crisis of 2008 reduced the wealth at the top somewhat, the top 1 per cent continues to receive 21 per cent of the country’s total income, still amongst the highest levels since the late 1920s (Shaw & Stone 2010). Taken together, these statistics lead critics like David Harvey to the conclusion that the neoliberal project is not actually about achieving growth, development and prosperity for all; but about reinforcing the power and status of a small global elite (Harvey 2005, 19).

The strict ‘market’ analysis of the hyperglobalists is particularly problematic in this context, in the face of the great problems faced by those outside of the major states and their closest ideological allies. And from this perspective, while issues of culture and race and political conflict are virtually ignored, so too, alarmingly, are questions of poverty and inequality – given the assumption that ‘markets’ will ultimately provide the progressive solution (Hurrell & Woods 1995). In the event that hyperglobalists do acknowledge the downsides of globalisation, they downplay them as temporary
drawbacks in a rapidly changing world that will be ameliorated in the long-term. Alternatively, they propose that evidence of increasing impoverishment in the global periphery is the result of not enough market penetration (Wolf 2004). In both cases, questions of inequality and poverty are downgraded, and thus effectively ignored (Hurrell & Woods 1995, 448).

It is not only the economic shortcomings of the neoliberal era that have drawn criticism. Politically, the order and stability that are supposed to result from a globalised world order have failed to materialise. Instead, the resurgence of ethnic conflict, civil wars and transnational organised crime and terrorism – much of which has been facilitated, to a greater or lesser extent, by globalisation – has destabilised the international system over the past 30 years or so. Likewise, rather than reaping the benefits of the ‘global village’ and ‘democratisation,’ too many societies have instead experienced cultural discontent, growing xenophobia and racism. There is also growing evidence of apathy and antipathy towards political engagement and participation, and of increasingly atomised societies in which individualism and consumerism dominate commitments to community, solidarity and social justice.

As indicated above, not all orthodox perspectives are quite so sanguine about these issues, nor entirely unreflective about the way in which they reach their conclusions about the contemporary world order. Liberal transformationalist accounts stand out in this regard with their questioning of the structures and motivations of neoliberal globalisation. However, while the questions asked by transformationalists are important, it is the questions not asked that are, I suggest, even more important. Questions, in particular, of the role that capitalism plays in perpetuating the poverty, inequality and lack of democracy that concerns them so much.

Liberals of this cosmopolitan variety do question some aspects of free market behaviour but the solution to the capitalism problem from this perspective is little
different from other liberal perspectives, centred as it is on management techniques and reformist zeal. 'It would be quite foolish,’ David Held argues, ‘to suggest that there are simple alternatives, which are both feasible and desirable, to the existing system of corporate capitalism’ (Held 1995a, 248). Instead, the solution lies in a global social democracy, under which the ‘the capitalist system [can be] constrain[ed] and regulat[ed] to compensate for the biases generated by the pursuit of the private good’ (Held 1995a, 251).

Held is correct, of course, in claiming that no simple alternatives can be found to a hegemonic force such as corporate capitalism in the contemporary era, but an answer based on more (presumably) voluntary ‘constraint’ and ‘regulation’ on the part of the capitalist sector is hardly reassuring. The impact of the 2008 Global Financial Crisis continues to play havoc with the lives of so many around the world who naively put their trust in this very solution to the recent travails of corporate capitalism. And, more generally, the transformationalist ‘answer’ to the capitalism question is again hardly reassuring to those now seeing many of the social gains of the post-World War II (Keynesian) era being drastically reversed in the age of neoliberal corporatism and capitalist excess.

In critical terms, liberal transformationalists undoubtedly go beyond neorealist, institutionalist and hyperglobalist claims for the current world order. Nevertheless, their own promise of modernity remains embedded in the traditions of post-Enlightenment liberal-capitalism with all the implications this has for domestic and global ‘losers.’ This is perhaps most evident in the transformationalist project of global cosmopolitanism as the preferable model of globalisation. While cosmopolitanism professes to be accepting of difference and is based on inclusive dialogue and mediation, it remains fundamentally a liberal-capitalist project. In Brennan’s terms it is
a discourse of the universal that is inherently local – a locality that is always surreptitiously imperial’ (Brennan 2001, 81).

The point Brennan makes here is that the cosmopolitan project can very easily become another exercise in imposing Western norms and values on the global community – as another powerful ideology of modern progress that speaks for ‘humanity’ while engaging in imperialistic practices. Indeed, much of the cosmopolitan discourse (inclusivity, difference, dialogue, freedom) is now utilised to promote neoliberal globalisation to an increasingly doubtful global community. Likewise, transformationalist proposals for global governance have been effectively utilised to facilitate the proliferation of market forces worldwide – often to the detriment of democracy and the amelioration of poverty and inequality. Here, institutions such as the WTO or the IMF, which lack democratic accountability and remain unequivocally committed to neoliberal ideology, represent the solutions to the problem for liberal transformationalists.

Thus, whilst liberal transformationalism is right to ask questions about issues of poverty, inequality and the democratic deficit generated by neoliberal globalisation, the answers it proposes cannot seriously resolve these issues because, I would suggest, they are intrinsic to the capitalism question that liberal transformationalism does not ask. In this regard at least, they represent another (albeit more thoughtful) dimension of the ‘problem solving’ approach to IPE and of the notion of a more efficient management of the capitalist status quo as the only ‘realistic’ solution to the problem. In this regard, like its orthodox counterparts, liberal transformationalism lacks a critique of the capitalist system of social relations, and ignores the issues of class and exploitation inherent to capitalism, which have only been exacerbated by its global spread. The roots of this analytical silence, as I suggested earlier, are located at the ontological level which directs orthodox thinking towards support for the capitalist system as the natural
expression of ‘human nature.’ Not surprisingly, from this perspective, there can be, as Held puts it, no ‘feasible or desirable’ alternative to capitalism, nor is there any need to ‘theoretically’ search for one.

Questioning Ontological Imperatives and the IPE Orthodoxy

In some quarters, however, this necessity has been recognised, and since the end of the Cold War, in particular, there have been significant attempts to critically reengage the orthodox IPE ways of framing the neoliberal world order – a reengagement that has effectively paralleled the challenges to IR orthodoxy in the same period (Ashley 1984; George 1989; Rengger & Thirkell-White 2007). The primary aim of this critical literature has been to expose the theoretical limitations of mainstream IPE in order to problematise its practices and its political and policy preferences.

In response to these shortcomings a new, critical IPE approach has developed over the past two decades (Goede 2003; Gill & Mittelman 1997; Rosow et al. 1994; Gill 1993a; Murphy & Tooze 1991b; Appelbaum & Robinson 2005; Strange 1994; Cox 1995; Tickener 1991; Hay & Marsh 2000; Rosenberg 2005; Cameron & Palan 2004; Palan 2000). This ‘new IPE’ represents a heterogeneous literature characterised by its many differences; but united in its resolve to broaden the focus of IPE beyond traditionally invoked perspectives on the capitalist economy and the modern state system, and to examine issues of class, gender, race, culture, ecology, migration, questions of power and knowledge, and the role of non-state actors. Moreover, these new IPE approaches are committed, in one way or another, and to one degree or another, to an emancipatory project, which seeks alternative ways of thinking about and acting in the current world order. As such, they represent a more adequate approach to examining the possibilities and sources of alternatives in the current globalised world.
Robert Cox’s voice has been particularly significant in this regard. In the present context, it is Cox’s reinscription of early Frankfurt School Critical Theory that is of most pertinence, particularly his updated representation of the traditional-critical theory debate of Horkheimer and Adorno (Horkheimer 1972). In a path breaking work, Cox (1981) invoked this distinction to distinguish what he called ‘problem solving theory’ from ‘critical theory.’ The former, he argued, is characterised by its one dimensionality – it is only interested in the way the world ‘is’ and seeks to solve the problems of that world in its own ‘given’ terms.

There is a need for ‘problem solving’ techniques Cox acknowledged – problems do have to be solved. But the problems of contemporary IPE cannot be solved by the one dimensional thinking of realists and liberals, he argued, and this one dimensionality needs to be exposed and explained in order that it may be overcome by a more critically inclined IPE community. The keystone of the problem, Cox proposed, resides in the ontological foundations by which realism and liberalism frame global problems and go about ‘solving’ them. It resides, more specifically, in the failure of orthodox thinking to question the conceptual, political and structural status quo in a complex and changing world. This leads to predictably narrow conclusions about the (universal, immutable, inexorable) character of the contemporary world order for realists, and, even for the most nuanced of liberal thinkers, a restricted notion of the ‘art of the possible’ regarding issues of politico-strategic change, the possibilities for different forms of politico-economic communities and the potentials of ‘social forces’ around the world to emancipate themselves – socially, culturally and economically – from the dominant global order.

Well before the Arab Spring and the Pink Tide, Cox maintained that the IPE orthodoxy was inadequate to the task of understanding a volatile global context because its way of framing the world dismisses the need for serious analysis of context;
particularly the historical, social and ideological context in which neoliberalism emerged, became hegemonic and simultaneously created the conditions for radical change.

A ‘critical theory’ approach, on the other hand, does historicise and politicise the status quo and the analytical frames of reference that seek to explain it. In particular, a critical theory approach repudiates ‘problem solving’ approaches and the kind of positivist induced notion that the world can be simply understood as it ‘is’ and requires no further theorising about its ‘essence.’ Rather, as Cox famously put it, ‘theory is always for someone and for some purpose,’ and orthodox IPE theory he argued, was very definitely ‘for’ the neorealist and liberal institutionalist mainstream and ‘for’ the political and economic status quo which best serves the major Western powers and their allies around the world (Cox 1981, 128).

The added problem that Cox was well aware of was that by the 1980s the IPE orthodoxy had taken on the status of a ‘common sense’ that Gramsci had projected in the 1930s as an integral feature of modern hegemonic class rule. Gramsci understood by then that traditional emancipatory thinking and strategies would not break down this common sense and expose it for the ideological charade that it was. What was necessary, he argued, was a multifaceted and multilayered attack on the dominant cultural and intellectual frameworks that effectively represented a partial set of ruling class interests as a ‘common sense,’ which served the interests of the whole community. Only if this process and its exploitative impact is exposed – through a deep and widespread counter-hegemonic strategy – could more traditional emancipatory goals be achieved. I want now to turn to this Gramscian perspective, or at least that element of it that engages issues of ontology in a hegemonic context, in order to explain its analytical advantages over orthodox IPE approaches.
Marx, Gramsci, and a ‘Radicalised Social Ontology’

Put simply, I find Marx’s Historical Materialism (HM) and Gramsci’s adaptation of it, the most insightful and profound ways of theorising the contemporary global order and of evaluating its many complexities (e.g. the Pink Tide). This is not to say that HM is without fault or that it does not suffer from major points of ambiguity and ‘silences’ on issues integral to contemporary IPE (e.g. race, religion, gender). Nor is it to ignore the abuse done to the HM tradition by many ‘Marxisms’ in the years following Marx’s death, some of which fit comfortably in the ahistorical, positivist, economistic ‘problem solving’ category. But at its best, I suggest, Gramsci’s articulation of HM clearly elucidates the nature and implications of contemporary capitalist society at the domestic and international levels.

Integral to Gramsci’s insight is the ontological position he takes on the way in which human society frames, creates and re-creates the world, historically and ideologically. Mark Rupert’s work is valuable here via his notion of a ‘radicalised social ontology,’ in Gramsci which recognises, as Marx insisted (Marx 1975, 323, 407; 1977, 78, 348; Marx & Engels 1970, 48-52), that there can be no single, fixed ontological starting point, based on some innate ‘human nature’ that is prior to social reality (Rupert 1995, 14-38).

Instead of accepting orthodox IPE notions of human nature, this ‘radicalised social ontology’ reaffirms Marx’s claim that the nature of humans is defined by the aggregate of their social relations (Marx 1975, 423; Marx & Engels 1970, 48-52). According to this view, humans are first and foremost material beings that interact with nature in order to produce the requirements for their subsistence and reproduction. This interaction is necessarily social, in that it involves relations with other humans, beginning with the family and evolving into society. Through this process of socially organised productive activity, humans (re)construct their natural and social world and
(re)define what it means to be human. Consequently, there can be no universal or predetermined notions of ‘human nature,’ nor can there be transhistorical or ‘iron laws’ of history derived from such nature. Rather, since the circumstances under which humans socially interact with nature are always changing as a result of their own productive activity, both their ‘human nature’ and the world which they create can only be deducted through historical analysis. From this perspective, therefore, if humans act as egotistic self-interested individuals, this is not a consequence of some innate and ahistorical ‘human nature’ but rather the result of a specific social organisation of production which has been historically constructed.

The consequences of these propositions in the present context are twofold. Firstly, they deny the very possibility of the limited view of human nature that is at the source of orthodox IPE’s analytical blindspots and conservative inclinations. Secondly, they draw attention to the importance of the historically constructed nature of the current social reality. Thus, rather than accepting ‘given’ orthodox IPE accounts of this reality, it becomes possible to think in other, more comprehensive terms about the knowledge-power relationship under neoliberalism. And recognising that this reality is the result of a historically and politically located process based upon collective human agency also implies the possibility that it can be recreated in different ways through such agency; specifically by changing the social relations of production and the attendant social self-understandings that form its basis. As such, an HM-based analysis challenges the claims of the orthodoxy about the impossibility of alternatives to the current world order. This is not to suggest that humans can remake their world in any way they wish. As Marx famously remarked:
Men [sic] make their own history, but they do not make it just as they please; they do not make it under circumstances chosen by themselves, but under circumstances directly encountered, given and transmitted from the past.  

(Marx 1977, 300)

The social world and its development thus need to be understood in dialectical terms that stress the mutually constitutive nature of things, and the tensions between them – the resolution of these tensions leading to a towards a ‘higher form’ of the ‘thing.’ For Hegel, this process explained the historical development of ideas – of philosophical ‘things’ (Hegel 1956). For Marx it spoke to the development of human society under class rule – in particular how higher forms of society emerged and developed through the tensions in the relations between rulers and ruled – a process he was most excited about in regard to the tensions in capitalist societies during the industrial revolution. Capitalism, for Marx, is the most dynamic system ever devised by which ruling classes can dominate and exploit the ruled; but, simultaneously, the class system integral to modern capitalism is the most conducive to revolution and emancipatory politics. Indeed, the sheer scale, pace and dynamism of the capitalist mode of production and the volatility of its social relations of production convinced Marx that a social revolution on behalf of the working poor was imminent at the highest point of the dialectic, where capitalist exploitation was most evident – in 19th century industrial England.

Gramsci had some interesting things to say on the question of why this scenario did not work out in the way Marx envisaged, and I will say more about this in the following chapter. The point for now is that a historically located, socially based explanation for social reality and social change goes beyond orthodox IPE thinking that effectively devolves all causation to some single, ahistorical foundational source – be it ‘human nature’ or an anarchical international system. In so doing it leaves open the possibilities for social change in the future, no longer understood as a process of
‘recurrence and repetition’ (realism) or the working out of some essential consumer impulse (liberalism). Instead, the radical contingency of social and historical development draws attention to the possibilities for human agency well beyond these parameters, possibilities that stem from the tensions and contradictions within a class based social reality.

My suggestion then is that any analysis that seeks to understand and evaluate the social and intellectual forces integral to contemporary class society, particularly at the global level, must focus on illuminating these tensions and contradictions as a means towards understanding and evaluating them. This is what, later, I will seek to do in relation to the impact of global capitalism upon Latin America and most specifically upon Venezuela and Brazil.

In the following chapter, however, I pick up the themes touched on above and relate them directly to a Gramscian analytical framework. In so doing I am aware that while an HM-based analysis might be superior to that proffered by the IPE mainstream it too has problems, not the least the tendency to impose the experience of the white, male, industrial worker on to all subordinate groups around the world, whether this reflects their own experience or not. This tendency is evident in some of the more economistic and positivist interpretations of Marx’s work, which propose that the transhistorical and universal laws of capitalism produce the same consciousness in all people across time and space, a consciousness defined by ‘economic’ factors ‘in the last instance.’

In dealing with this issue, I am drawn – under the influence of Stuart Hall and Mark Rupert – to a refashioning of HM in Gramscian terms as a ‘philosophy of praxis.’ In these terms, Gramsci sought to avoid the pitfalls of economism and determinism by understanding ideological self-understandings – consciousness – not as the automatic reflections of underlying ‘economic’ factors, but as always contested and contingent
outcome of political and ideological struggle. This understanding allows for an examination of how other factors (for example race, culture and gender) contribute to the formation of ‘consciousness.’

A Gramscian approach also suggests that humans can develop multiple meanings of their relationship with the social relations of production, based on their particular historical, cultural and social experiences. The point being that these ‘meanings’ are as real and as valid in their social context as the ‘classical’ Marxist perspective of the white, male proletarian experiencing capitalism through the industrial revolution in the United Kingdom, Germany or France in the 19th century. A Gramscian reinterpretation of HM thus enables a critical response to the one-dimensionality of orthodox IPE (and orthodox Marxism), and an evaluatory perspective that can offer useful access to the complex confrontations with global capitalism of recent years in Latin America. The next chapter seeks to explain more precisely how this is so.
Chapter 2: Gramsci and the Historical Materialist Tradition

My aim in this chapter is to elaborate on Marx’s Historical Materialism (HM) and Gramsci’s adaptation of it that I touched on at the conclusion of Chapter 1. I made some claims in the previous chapter concerning my preference for this approach and I want now to take a more scholarly attitude to the whole issue by explaining in detail the basis of my support for HM perspective over those represented earlier as orthodox IPE. I begin by locating contemporary globalisation as part of the voracious nature of the capitalist mode of production, and in Marxian terms focus on the tensions and contradictions of the neoliberal project as a source of transformative and perhaps emancipatory change. I acknowledge in section two of the chapter that a traditional Marxist approach to this task is, in itself, not sufficient because it is not precise enough in explaining how the tensions intrinsic to capitalist class rule can actually lead to emancipatory theory and practice – particularly in a non-Western, non-industrial context beset with issues of race and culture. Here, I suggest, Gramsci provides a much more specific set of analytical tools for the critical task at hand.

Consequently, after introducing the general principles of HM that are worth considering in the present context, I turn to Gramsci’s concepts of ‘hegemony’ and ‘historic bloc,’ in order to highlight the ways in which contemporary dominant classes rule; less through explicit coercion than through complex processes of consent. In the present context, the relevance of these concepts is that they allow for a more substantial understanding of neoliberal globalisation as not only a projection of capitalist productive forces but also as a sophisticated and largely effective politico-ideological project designed to facilitate and win consent for its global expansionism. Recognition
of the consensual nature of neoliberal globalisation is crucial to any attempt to construct alternatives to it of course, and with the later discussion of Latin America in mind I explore Gramsci’s notion of ‘war of position’ as a way of illuminating the processes of ideological struggle intrinsic to the gaining of ruling class consent.

In his discussion of the war of position, Gramsci draws attention to the contrasting strategies of the dominant and subordinate classes. Specifically, he argues that the former will most likely adopt a strategy of ‘passive revolution,’ understood as an attempt to reform society from above in order to preclude a more radical challenge from below. The latter, meanwhile, may undertake a strategy of ‘counter-hegemony,’ and engage in a revolutionary praxis in order to radically transform society. These contrasting strategies, I argue towards the end of the chapter, are entirely relevant to the situations in Brazil and Venezuela as part of Latin America’s Pink Tide. But I maintain that although the former is clearly engaged in a strategy of passive revolution and the latter is developing a fledgling counter-hegemony, these two projects nevertheless have a lot in common. These commonalities, I suggest cautiously, represent a common ground on which a regional war of position might be possible against global neoliberalism. I explore this prospect in more detail in Chapter 7.

*The Advantages of a Historical Materialist Analysis of Globalisation*

For a process so inherently entwined with capitalism, neoliberal globalisation cannot be adequately comprehended without understanding it in terms almost entirely missing from orthodox IPE literature – the centrality to it of capitalism’s productive and social forces. Thus from an HM perspective, the contemporary globalisation of trade, production and finance can be understood as intrinsic to the expansive nature of the capitalist system. Marx understood capitalism as a system defined by capital’s need for endless accumulation. Under constant pressures of competition, capitalists must
continuously search out new markets and new opportunities for profit (Marx 1976; 1977, 345-87). It is this need for endless accumulation that has driven capital to expand to every corner of the globe. Indeed, Marx famously envisaged this in the 19th century, proclaiming in *The Communist Manifesto*:

The need of a constantly expanding market for its product chases the bourgeoisie over the whole surface of the globe. It must nestle everywhere, settle everywhere, establish connections everywhere...it compels all nations, on pain of extinction, to adopt the bourgeois mode of production...in one word, it creates a world after its own image.

(Marx 1977, 224-5)

Within this framework, neoliberal globalisation can be understood in a much more comprehensive and nuanced way than the one-dimensional explanations of realist and liberal orthodoxy. Rather than understanding it as the result of state strategies in a ‘timeless’ competition for power, or as the realisation of ‘natural’ human desires to maximise utility, an HM approach historically grounds neoliberal globalisation in the process of the internationalisation of capitalist social relations that has been ongoing since at least the 17th century, and which has dramatically intensified since the 1970s in response to the economic crisis in the capitalist core. This is not to suggest, however, that the economic imperatives of capitalism should be understood in some deterministic manner as the sole drivers of globalisation, an automatic and inevitable cause akin to human nature. As I argued in the previous chapter, from an HM perspective the relationship between agents and structures should be understood in dialectical terms, in that both produce and transform each other. Thus, actors may operate within the structure of capitalism, but this structure does not determine their actions in an automatic sense. Rather, their actions are the result of social struggles between social classes; struggles which are contingent and open-ended. Accordingly, an HM analysis
of globalisation draws attention not only to the importance of the structure of capitalism in bringing it about, but also to the social agency that makes it possible in different times and places. Moreover, a Marxist analysis of globalisation pays attention to the possibilities inherent in this structure-agency dialectic for radical change to the existing status quo.

**Marx’s Critique of Capitalism and its Insights for Contemporary Globalisation**

For HM, the possibilities for change within capitalism reside in the dialectic that informs it at every level. Thus, at the heart of Marx’s critique of capitalism, is the tension between its unprecedented development of human productive powers and its exploitative nature. Marx acknowledged that as a system of production, capitalism had unleashed the productive forces of humanity as no other system before it had done (Marx 1977, 363-4). At the same time, however, it has been coupled with an explosion of poverty, inequality and class struggle in large sections of those societies seeking to reap its benefits. This is because capitalism’s developmental project is based on exploitation; exploitation centred on the ownership of the means of production by a small sector of society – the capitalist class – which forces the remaining majority to sell its only possession – its labour-power – in order to survive. As part of this transaction workers receive a wage, which represents only that amount of capital which is enough to sustain them. The remainder of the capital produced – ‘surplus value’ – is appropriated by the capitalist, in a process of endless capital accumulation (Marx 1976; 1977, 345-87). Such a relationship is for Marx both asymmetrical and exploitative, because the capital owned by the capitalist does not in itself create value. It is only through the application of labour-power that value is created, yet workers only receive that amount of the value produced which is necessary to sustain them. The remaining ‘surplus value’ becomes the object of class struggle between capitalists and the working
class, with the former in a privileged position due to their ownership of the means of production (Marx 1976, 283-339). Consequently, as capitalism has spread to previously untouched sites of accumulation, both geographically and socially, class struggle has intensified, as the sites of exploitation have multiplied.

These struggles, for Marx, held within them the potential for a radical consciousness and revolutionary politics at whatever level they took place. This, he suggested, was because the subordinate groups in society would become increasingly aware of the true nature of the capitalist system and its exploitative intent. Beyond the direct struggles over surplus value, Marx pointed to the tensions inherent in capitalist ideology in the relationship between ‘politics’ and ‘economics’ as a major site of radical potential.

The modern capitalism that Marx saw emerging in the 19th century represented itself as having ‘liberated’ modern individuals who – in law – were considered equal before the state, no matter what their socioeconomic situation. Moreover, the individual were given democratic powers to determine the policies of the modern capitalist state, and other ‘inalienable rights’ which allowed full and equal participation in the political community (Marx 1975, 90, 137-8, 219-21). Marx acknowledged the great historical contribution of capitalism in this regard but perceived also the seeds of its own destruction within it. This, he suggested, was because while capitalism, for good ideological reasons, abolishes socioeconomic distinctions and lauds democratic values in the political sphere, it does not do so in the economic sphere. Here, the privileges and powers of the ‘winners’ in the market system are deemed a ‘private’ rather than a ‘public’ matter. Here, the processes by which major social inequality and exploitation take place are deemed out of bounds to democratic scrutiny and sanction. Thus the crucial site of class exploitation is effectively depoliticised by the capitalist state, and while it grants unprecedented democratic powers to its citizens, it denies them these
powers when it comes to the most important aspects of their lives – their social relations of production (Marx 1975, 211-41).

In the contemporary context, in a world dominated by global corporate capitalism, this ‘anomaly’ is ever more apparent – as the 2008 Global Financial Crisis indicated. More generally, at a moment when states, particularly on the global periphery, are increasingly dependent on the investment strategies and expertise of corporate companies, and always wary of the ‘flight of capital,’ the state has become even less responsive to democratic demands to rein in the power of the capitalist class (Rupert 2010, 163). Marx believed that the tensions inherent in capitalism’s desire to legitimate its exploitative system, while actually ramping up the levels of exploitation, would ultimately trigger radical responses in those becoming aware of their ‘false consciousness’ when it came to liberal-democratic citizenship.

The revolutionary consciousness and radical politics Marx expected have, of course, not materialised. In 2012, some take solace in the ‘Occupy’ movements as a kind of ‘new consciousness’ in this regard, but certainly in other areas of the world, such as Latin America, there has been a more substantial sense of the dissonance between the promises of freedom and democracy under contemporary corporate capitalism – as neoliberal globalisation – and the actuality of them. Indeed, particularly in Venezuela, but also in Brazil, the Pink Tide responses to the current global order came after an initial embracing of neoliberal reforms and ideology. In these states and others in Latin America, the left turn took place as the distinctions between the democratic ‘theory’ of 21st century global capitalism and its exploitative ‘practices’ became increasingly evident throughout society.

In a broad sense then it could be argued that Marx was correct in his analysis of why radical change takes place in modern capitalist societies even at the global level. And there is surely much worth in contemplating Marx’s HM understanding of the
neoliberal globalisation project, which offers an explanation of its origins in the expansive and voracious nature of capital, as well as pointing to the tensions and contradictions within it that serve as potential sources for radical transformation.

In itself, however, HM is not sufficient for analysing the transformative possibilities within the current global order. This can be demonstrated in relation to Marx’s expectations about the demise of capitalism in light of its contradictions and exploitative nature. Given the increased poverty and rates of unemployment, the increased experiences of ‘market’ exploitation, the impotency of democratic legislation and the extension of class powers brought about by neoliberal globalisation throughout the world, these contradictions have only become more salient. Yet, the subordinate classes have not developed a revolutionary class consciousness _per se_, nor has there been the widespread revolutionary action of the kind envisaged by Marx. This necessarily throws into question important elements of Marx’s analysis – and, I suggest, it requires the broadened and deepened revision of it to be found in Gramsci’s works.

*The Shortcomings of Historical Materialism and Gramsci’s Revision of It*

As Gramsci began his revision of Marx in Italy in the 1920s, other scholars and activists were doing likewise, especially in Europe (e.g. The Frankfurt School in Germany). This was no coincidence. World War I had been a disaster for socialists who had appealed to workers to see through the nationalistic jingoism that condemned millions of them to death. And following the war millions more responded to the economic and social chaos by turning to the radical right (i.e. Fascism) rather than to the left. The question then for thinkers of the left was why this was so, or more precisely, why had Marx got it so wrong?

It was acknowledged by then that capitalism and liberal-democratic ideology were more complex and resilient than Marx had anticipated. In particular, they had
found new ways to integrate the working class into the social order, chiefly through political reformism and appeals to nationalism, preventing the class polarisation that Marx had predicted and thus neutralising the proletariat as a revolutionary actor (McLellan 1972, xli). However, questions still remained as to how this had been achieved, given Marx’s explanations of the contradictions of capitalism and his expectations regarding them. One of the problems for Marxists at this point, and ever since, was that there is a good deal of ambiguity in Marx’s work concerning the precise nature of the process by which ‘false consciousness’ becomes revolutionary ‘class consciousness’ leading to revolutionary politics. This led to a plethora of ‘Marxisms’ claiming to represent the real Marx.

At the ‘official’ (Communist Party) level, via the Second International (1889-1916), the problem was solved by reading Marxism in ‘scientific’ terms which continued to proclaim the ‘imminence’ of proletarian revolution and which reduced the complex issues of the relationship between economics and politics to a simple dichotomy between ‘base’ and ‘superstructure.’ More specifically, it reduced Marxism to a crude economistic ontology in which actions in the material ‘base’ (the economy) were understood to exist prior to ideational responses to them in the (political, cultural, legal) ‘superstructure’ of society. Changes in the base, therefore, would lead automatically to changes at the superstructural level. From this perspective therefore, questions regarding the failure of Marxism were effectively ignored in the renewed quest to smash the capitalist state at its base (e.g. by direct revolutionary action) in order to force a change of consciousness at the superstructural level.

Not all Marxists took the official line and Gramsci was certainly one of them. In his *Prison Notebooks* most famously, Gramsci questioned the notion that a dialectical approach such as Marx’s could be reduced to dichotomy and historical inevitability. Instead, he argued that the notion:
that every fluctuation of politics and ideology can be presented and expounded as an immediate expression of the structure must be contested in theory as primitive infantilism, and combated in practice with the authentic testimony of Marx.

(Gramsci 1971, 407)

Accordingly, Gramsci proposed that issues of economic structure and political agency must be understood as mutually constitutive of each other, and that there can be no ‘objective laws of history’ embedded in the economic base that determines political action. A more accurate understanding of the base-superstructure dynamic sees the former as a set of constraints – the product of past generations of collective action – that impose limits upon and define the terrain of action, but do not automatically produce given outcomes (Gramsci 1971, 158-68). As Gramsci noted:

it may be ruled out that immediate economic crises of themselves produce fundamental historic events; they simply create a terrain more favourable to the dissemination of certain modes of thought, and certain ways of posing and resolving questions involving the subsequent development of national life.

(Gramsci 1971, 184)

From this perspective, to understand the nature and radical potentials of any given political situation one needs to explore the historical ‘terrain’ that provides favourable conditions for some ‘ways of posing and resolving questions’ over others in the struggle for power and wealth. After all, Gramsci pointed out, Marx had clearly stated in the Preface to A Contribution to the Critique of Political Economy that it was on the superstructural terrain of ideology that ‘men [sic] become conscious of [structural] conflict and fight it out’ (Marx 1975, 426; see: Gramsci 1971, 138). Thus, the key to
this ‘fighting’ consciousness was not derived automatically from material events at the base – but from particular ideological struggles over consciousness waged historically and culturally.

Accordingly, Gramsci set out to refashion HM into a ‘philosophy of praxis,’ which would explore the historical process of ideological struggle in order that political and ideational conditions might arise that could lead to successful revolutionary action (Gramsci 1971, 172, 175-85). In so doing he established a more profound understanding of capitalism’s development in the era following Marx’s death, which drew attention to the novel ways in which bourgeois class power was constructed and sustained. Only if one understood this ‘terrain,’ he argued, could one effectively counter it.

**Gramsci’s Analysis of Modern Society: Bourgeois Power as Hegemony**

The chief insight of Gramsci’s understanding of modern Western capitalist societies was that ruling class (bourgeois) power now relied less on coercion and more on the power of persuasion and consent. It was no longer a case of the dominant classes ruling exclusively through the coercive apparatus of the state, and it was therefore a much more complex issue for revolutionary activists than simply fighting the capitalist class for control of the state. This more nuanced understanding of power and rule was derived from Machiavelli, as a combination of coercion and consent; a combination whose equilibrium was always fluid and changing. To the extent that the consensual element predominated over the coercive one, there existed, for Gramsci, the situation of hegemony (Gramsci 1971, 55-60, 170). This conception of power underpinned Gramsci’s proposition that the nature of class rule had changed significantly since Marx’s death, at least in the advanced industrial states of the West where he had expected revolutionary activity to take place. In these societies, class rule was now
predominantly hegemonic – based less often on direct domination and coercion and more often on the ‘consent’ of workers and those outside of the capitalist sector.

This was the process Marx did not adequately foresee; the process that orthodox Marxism did not understand – a process by which the capitalist class constructed a ‘terrain’ of class power through its cultural and ideological domination of civil society (Gramsci 1971, 12, 235-8, 242-3, 258-9). It did this through its control of the crucial institutions of a modern capitalist society, in particular political parties, trade unions, schools and universities, the media, the Church, and cultural and voluntary organisations. Consequently, from childhood, ‘certain modes of thought, and certain ways of posing and resolving questions’ were inculcated into the great majority in ways that legitimised and justified bourgeois class rule as no more than ‘common sense.’ This ‘common sense’ theme is important in this context because, as Gramsci explained, bourgeois class rule could not work effectively if it was simply imposed upon the subordinate classes. Instead, it was effective because it (ostensibly) spoke to the interests of the masses and to the ‘fragmentary, incoherent and inconsequential’ conception of the world gleaned by them from their understandings of history and culture and the political ‘art of the possible’ (Gramsci 1971, 419, 323-30, 419-25). Central to this process were what Gramsci referred to as ‘organic intellectuals;’ not only academics and ‘men of letters,’ but also journalists, publishers, civil servants, politicians, artists and indeed any individuals who performed the role of mediating the dominant class ideology with everyday words and concepts that could be embedded in the popular common sense (Gramsci 1971, 2-14).

Accordingly, bourgeois class power was embedded in what Gramsci referred to as the ‘integral state,’ that is the ‘entire complex of theoretical and practical activity with which the ruling class not only justifies and maintains its dominance but manages to win the active consent of those over whom it rules’ (Gramsci 1971, 244). The integral
state encompassed both the state proper, with its coercive means of rule as a last resort, and civil society, where consent predominated. Together, they formed one totality; a 'hegemony protected by the armour of coercion' (Gramsci 1971, 263).

To explain what a successful hegemony looked like, Gramsci spoke of a 'historic bloc,' that complex environment where the political, social, economic and ideological aspects of a social formation are united to create a relatively stable hegemonic order. Importantly, Gramsci recognised that to create a historic bloc the dominant classes had to make concessions in moving beyond their narrow 'economic-corporative' interests to reconcile them – to some degree – with the interests of those whose consent they needed (Gramsci 1971, 181-2). The ruling bourgeois historic bloc of the 20th century was particularly effective, he noted, because it had constructed a hegemonic image of the world that spoke to the economic aspirations and cultural inclinations of the working classes (e.g. individualism, consumerism, political apathy, social conservatism, nationalism) imbued in them by generations of organic intellectuals and by political and educational systems geared to the 'common sense' of capitalism and imperialism. This, Gramsci argued, was the reason why Marxist revolution had not taken place where Marx expected it to, and why such revolution would not take place until counter-hegemonic strategies were undertaken in those (political, cultural, educational) areas where hegemonic 'common sense' was most powerfully articulated.

Later, I will suggest that in Venezuela under Hugo Chávez this is a theme central to the Bolivarian Revolution, albeit with some decidedly Latin American traits. The point for now is that Gramsci's reworking of basic Marxist principles illustrates that when one seeks to evaluate capitalist class power – be it at the domestic or global level – it is not enough to concentrate on 'economic' issues at the social base. Rather, in Gramscian terms, it is necessary also to understand the political, cultural and ideological processes by which capitalist exploitation works and is legitimated by the consent of
those it exploits. Thus, in terms of neoliberal globalisation in the 21st century, it is not just a case of the voraciously expansive nature of capital but of the political and ideological project that facilitates and secures this expansion. By drawing attention to the institutional and ideological means through which consent is secured, a Gramscian analysis can illuminate the ways in which neoliberal globalisation is not merely imposed from above by coercive means, but also has a consensual appeal which can result in hegemony. Recognition of the consensual nature of capitalist hegemony is fundamental to any attempt to effectively construct alternatives. Accordingly, the struggle against neoliberal hegemony requires firstly an analysis of the political and ideological means through which this hegemony is constructed.

I undertake such an analysis in more detail in the next chapter, but it can be generally understood in terms of an international historic bloc, which has been developed since the 1980s under the auspices of the U.S. and its Western allies. Key actors in this bloc are finance and transnational capital, as well as international institutions like the IMF, the World Bank and the WTO, which have driven the restructuring of economies worldwide to suit the interests of transnational capital, at the expense of domestic manufacturing capital. While subjecting the working class to a renewed discipline under a post-Fordist ‘flexible-accumulation’ regime, this historic bloc has also increasingly shaped the consciousness of workers and others in favour of the ‘common sense’ of individualistic consumerism and consumption.

The whole bloc is held together by the ideological project underpinned by the neoliberal ideological exaltation of the virtues of the free market, free trade and liberal individualism. This social vision, propagated by neoliberal organic intellectuals operating in the nascent global civil society, has sought to secure consent for the neoliberal world order. Despite its incoherent nature, and the disjuncture between its promises and results, this ideology has found ways to speak to the experiences of large
sections of societies around the globe and to help them make sense of their world, leading them to ‘consent’ to the world order that it underpins.

This is not to say that neoliberal hegemony should be thought of as monolithic or beyond challenge. On the contrary, hegemony for Gramsci is an unstable outcome of a continuing process of struggle, imbued with tensions and contradictions and always under contestation (Gramsci 1971, 182, 210-1). Indeed, while the neoliberal historic bloc has achieved a relative degree of hegemony, this hegemony is under challenge on numerous fronts, not least by the fledgling and multifaceted ‘alter-globalisation’ movement, which has attempted to construct an alternative vision of the future under the slogan ‘another world is possible’ (George 2004). My concern in this thesis is primarily with the Latin American dimension of this struggle where, since the late 1990s, there has been a region-wide backlash against ‘savage neoliberalism,’ exemplified by ‘IMF riots,’ street protests, coups, rebellions and a Pink Tide of leftist governments elected on explicitly anti-neoliberal platforms.

These challenges to neoliberal hegemony in Latin America can be understood in the context of what Gramsci referred to as an ‘organic crisis’ – a crisis of hegemonic control, in which the economy becomes paralysed, authority is de-legitimised and the ideological worldviews embedded in common sense begin to be questioned (Gramsci 1971, 210-18, 275-6). Such crises can last for decades and can initially manifest themselves in the form of cultural, moral or intellectual polemics in civil society that do not – at first sight – seem to be related to the political or economic dimensions of ruling class power (Gramsci 1971, 177-9). Nevertheless, they represent challenges to the dominant class hegemony as it is actualised in civil society and thus can be seen as harbingers of crises of the whole social order, in which the subordinate classes question their position in society and the legitimacy of the ruling class. It is a situation, for Gramsci, where ‘the old is dying and the new cannot be born’ (Gramsci 1971, 276). As
such, an organic crisis cannot be resolved by simply preserving the dying status quo, but instead requires the construction of a new or re-born historic bloc and a refashioned hegemonic project. This, of course, opens potential space for change and counter-hegemonic projects.

I will argue that the world has been in such an organic crisis since the 1970s. In this context neoliberal globalisation represents the attempt to re-secure dominant class rule and construct a new historic bloc out of the ashes of the previous Pax Americana bloc of the post-World War II era. While this process has been relatively successful in the West, in Latin America it has proved to be only a temporary solution, despite initial enthusiasm and support. This failure relates to specific factors in the region and shortcomings within the hegemonic project itself, which I explore in more detail in Chapter 4. Suffice it to say for now that the neoliberal ideology at the heart of the hegemonic project proved unable to reconcile the experiences and interests of the vast majorities of populations in the region with the motivations and interests of the neoliberal project. Consequently, the tensions at the core of the original organic crises of the 1970s resurfaced in Latin America by the late 1990s and it is in this context that the Pink Tide governments have emerged, and sought to construct alternatives to the neoliberal order. Within this struggle, the two main and contrasting projects come from Brazil and Venezuela. In understanding their nature, their similarities and differences, and their relevance to the larger struggles over neoliberal hegemony at the regional level, I find Gramsci’s concept of the war of position very useful.

*The War of Position: Ideological Struggle over Alternative Worlds*

As already indicated, for Gramsci, the contest over hegemony takes place at the level of superstructure, through a process of ideological struggle that he referred to as a ‘war of position.’ This ‘warfare’ was to be differentiated from a frontal assault on the state akin
to the Bolshevik Revolution, which Gramsci termed a ‘war of manoeuvre.’ Such an assault, Gramsci argued, would in itself not be enough to challenge the power of the dominant classes in the West, since it was embedded in the ‘fortresses and earthworks’ of civil society (Gramsci 1971, 238). Consequently, a prolonged war of position was necessary, which required conquering and creating institutions of civil society to contest and challenge bourgeois hegemony on the terrain on which it was secured, namely ‘common sense’ (Gramsci 1971, 229-39).

Common sense was for Gramsci the crucial site of this struggle because it did not simply reflect ruling class ideology, but rather the way in which this ideology was integrated into already existing worldviews and conceptions from the past. The result was a ‘sedimented’ consciousness which contained ‘Stone Age elements and principles of a more advanced science, prejudices from all past phases of history at the local level and intuitions of a future philosophy’ (Gramsci 1971, 324). Common sense was thus a fluid, contradictory and unstable conception of the world, open to numerous interpretations, some of which could form a potential basis for a revolutionary praxis.

A war of position, therefore, involved the construction of a new ideological worldview which could elicit consent for a different hegemonic project by illuminating the tensions and contradictions of the existing ideological worldviews embedded in popular common sense. Such a process did not entail the creation of a whole new worldview from scratch, nor did it impose a ready-made ideology on the masses from above. Rather, Gramsci argued that it involved contesting the meanings of key aspects of the dominant ideology, especially those which were riddled with tensions and ambiguities (Gramsci 1971, 330-1). The purpose of such a challenge was to draw out aspects of those ideas that were latent or secondary, and make dominant. It was thus:
a process of differentiation and change in the relative weight that the elements of the old ideologies used to posses. What was previously secondary and subordinate, or even incidental, is now taken to be primary – becomes the nucleus of a new ideological and theoretical complex.

(Gramsci 1971, 195)

Such a reformulated ‘ideological and theoretical complex’ could then serve to underpin a significantly different historic bloc and hegemonic project.

The war of position was thus, for Gramsci, a strategy used by both the bourgeoisie and the subordinate classes in the struggle over hegemony. The neoliberal ideology constructed to underpin the neoliberal historic bloc can likewise be understood as the outcome of a prolonged war of position carried out by neoliberal organic intellectuals, which eventually succeeded in undermining the hegemony of the post-World War II historic bloc during the organic crisis of the 1970s. When a war of position was carried out by the dominant classes in order to protect their position in the face of a crisis, it represented for Gramsci a ‘passive revolution.’

A passive revolution entails a restructuring of society from above in response to an organic crisis. It thus requires the construction of a new historic bloc and a new hegemonic project, which must make at least minimal concessions to the subordinate classes in order to win their consent. However, its major aim is to prevent the emergence of more radical counter-hegemonic alternatives from below (Gramsci 1971, 106-20). Consequently, while a passive revolution may entail a redistribution of material resources to the subordinate classes and the integration of these classes into the historic bloc, its intention is to prevent them from becoming potentially radical actors, by re-embedding in their common sense those ideological self-understandings which obscure their self-constructive powers.
An important aspect of this process is the practice of *transformismo*, that is the co-opting of the leadership of the subordinate classes into junior leadership positions in the historic bloc in order to decapitate any potential counter-hegemonic alternative (Gramsci 1971, 58-9). Passive revolution represents for Gramsci the chief strategy of the bourgeoisie in responding to organic crises, which, if carried out successfully, can resecure hegemony (Gramsci 1971, 114). However, it does not necessarily foreclose all possibilities for counter-hegemony. Since it results in a new balance of forces, a passive revolution also necessarily creates new possible points of tension and contradiction, which can provide openings for more radical solutions. Hence my positive comments about the potentials of the Brazilian passive revolution in Chapter 1.

Such openings can be realised in the context of a counter-hegemonic war of position which seeks to restructure ideological self-understandings so that they can inform a revolutionary *praxis*. A counter-hegemonic war of position therefore also begins with a critique of common sense, but seeks to transcend it rather than re-embed it. This is a task of critical education that seeks to move beyond common sense ideological understandings to construct a ‘collective will:’ an ideological worldview conscious of humanity’s self-constructive powers (Gramsci 1971, 125-33, 327-8, 332-3). Accordingly, the development of a collective will entails the construction of an emancipatory alternative culture that empowers the subordinate classes to recreate their world along more progressive lines. This collective will cannot be simply reduced to a ‘working class ideology’ however. Instead, its construction for Gramsci entails:

> the attainment of a ‘cultural-social’ unity through which the multiplicity of dispersed wills, with heterogeneous aims, are welded together with a single aim, on the basis of an equal and common conception of the world.

(Gramsci 1971, 349)
The construction of a collective will must begin with class relations, because it is these relations that obscure the possibilities for a transformative *praxis*. But it cannot limit itself to this dimension of the struggle. It must also engage those social actors whose identities are not solely reducible to class, but are also articulated through race, gender or ethnicity. This engagement should be understood in dialectical fashion as entailing the transformation of all actors and their social self-understandings, rather than a one-way imposition of a working class consciousness on all other subordinate groups (Gramsci 1971, 267, 148). It is ‘an active and reciprocal’ educative relationship in which ‘every teacher is always a pupil and every pupil a teacher’ (Gramsci 1971, 350).

The resulting collective will can form the common ground on which a counter-hegemonic historic bloc is constructed, uniting under the leadership of the working class all the forces subordinated by capitalism. This leadership should be understood in light of Gramsci’s insistence that the dominant class in any historic bloc needs to move beyond its own narrow ‘economic-corporative’ interests to reconcile them with the interests of the other classes, so that they can actively participate in the construction of a new social order. Thus, just as the relation between teacher and pupil is transcended dialectically in the construction of the collective will, the distinction between leader and led also disappears as all of the subordinate groups participate actively in the historic bloc (Gramsci 1971, 151-2, 332-5). The ultimate goal of this process is for Gramsci a ‘regulated society,’ where the coercive aspect of the bourgeois state withers away, and is replaced by an ‘ethical State;’ a participatory community in which the socially productive powers of society are commonly and consensually regulated (Gramsci 1971, 253, 257-9, 260, 262-3). Beyond this, the exact nature of any future social order remains open-ended and contingent, to be worked out in the process of struggle, rather than determined by any tranhistorical logic.
Gramsci’s notion of the war of position, and of the various strategies that dominant and subordinate classes may undertake within it, provides a useful framework for understanding the struggle over neoliberal hegemony in Latin America, and the differences in strategy between Brazil and Venezuela. Within this framework, Brazil’s project can be understood as an instance of a passive revolution, while Venezuela’s represents an attempt to construct a genuinely counter-hegemonic historic bloc.

Consequently, the Brazilian project represents an attempt to construct an alternative to neoliberal hegemony under the banner of a social democratic ‘Third Way.’ In doing so, it puts forward a more coherent and inclusive historic bloc based on a neostructuralist approach that retains the neoliberal macroeconomic framework, while allowing the state a larger role in facilitating the country’s integration with the global economy. Such a historic bloc is much more inclusive than the initial neoliberal one, incorporating all sections of society in the pursuit of development, including the Brazilian masses, who have been integrated into the social order on an unprecedented scale through redistributive social policies which have lifted millions out of poverty. Accordingly, the hegemonic project which binds this historic bloc speaks to the two chief societal demands that emerged out of the organic crisis – the ‘democratisation’ of the state, and the alleviation of social inequalities. The social vision at the core of this bloc represents the Brazilian state as leading the nation forward towards progress, modernity and great power status; a process that can be achieved by taking the ‘high-road to globalisation.’ This ‘Third Way’ hegemonic project has been successful in speaking to the experiences and accounting for the interests of the Brazilian population, and as such has managed to effectively anchor itself in the nation’s common sense and secure the consent for the new social order.
In spite of this, Brazil’s passive revolution should not be seen as completely foreclosing the possibilities for counter-hegemony. The fact that it integrates large swathes of the marginalised masses into the social order based on a social vision of ‘democratisation’ and the social democratic values of social justice, equality, freedom and solidarity, represents possible points of tension and contradiction. These can provide openings for a counter-hegemonic war of position to mobilise the masses around a more radical project not restricted by the rule of capital. Thus while the Brazilian passive revolution represents a stabilisation of the neoliberal project via Third Way means, it nevertheless is a project with latent radical possibilities.

These possibilities are especially important if they can be articulated with the more radical counter-hegemonic war of position underway in Venezuela. Venezuela’s ‘Bolivarian Revolution’ represents an attempt to transcend the neoliberal common sense by constructing a new collective will that can underpin an alternative radical historic bloc based on ‘21st century socialism.’ In order to construct this collective will, the Chávez government has attempted to create new institutions within civil society to confront the hegemonic vehicles of the traditional ruling class and to carry out a wholesale cultural revolution. Its aim here is to produce a new ‘common sense’ that genuinely serves the interests of the subordinate classes. For example, a massive change in the education sector is under way, which sees the development of organic intellectuals from the subordinate classes challenging traditional historical and cultural narratives, in particular the narratives of mass ignorance and passivity and of a narrow nationalism.

In this process, the Venezuelan masses are being recreated as el soberano – the true sovereigns of the country, the drivers of the process of social change – while nationalism is being redefined beyond its primary meaning of political independence, and is now articulated as anti-imperialism and self-determination in political, economic
and cultural terms. The meanings of key concepts in neoliberalism, such as ‘progress’ and ‘democracy’ are also being contested. In challenging the consumerism and individualism integral to neoliberalism the Bolivarian Revolution emphasises their other sides – the increased poverty and the re-emergence of racial and class cleavages. The Revolution puts forward a vision of progress as entailing the inclusion of those previously excluded, in the construction of an endogenous Venezuelan culture based on solidarity and the common good.

In this vision ‘democracy’ is refashioned, not as a liberal system of ‘checks and balances,’ but rather as a participatory and protagonistic system of democratic control over all aspects of the social life, including the ‘economic’ sphere. The objective of this process of ideological struggle is a ‘collective will,’ conscious of humanity’s self-constructive powers and armed with an ideological worldview based on notions of solidarity, social justice, collectivism and participatory democracy. This is to be the basis of an alternative ‘Bolivarian’ historic bloc.

The contours of such a bloc can be seen emerging, but it is still a subject of ongoing struggles both within the Bolivarian movement and within Venezuelan society as a whole. The bloc puts forward an economic project based on state intervention in the economy and control of natural resources in order to create a social economy based on logics of solidarity and the common good rather than profit and ‘efficiency,’ as well as a redistribution of wealth to the masses through a series of social missions. This project is complemented by the construction of a political architecture of ‘participatory’ and ‘protagonistic’ democracy that seeks to facilitate the active and direct participation of the subordinate classes in the construction of the new social reality. This Bolivarian historic bloc is held together by a hegemonic project of ‘21st century socialism’ – a project, itself the site of struggle and contestation, that aims to unite all of those
marginalised in Venezuelan society as part of a more democratic and socially just future.

While fraught with difficulties, contested by the dominant classes and contingent on the continuing radicalisation of the masses (which is by no means a given) the Bolivarian Revolution in Venezuela represents an attempt to develop an alternative to the neoliberal hegemonic project. Its significance lies not only within its own borders, but also in relation to the regional struggle over neoliberal hegemony in Latin America. This is where the otherwise significantly different projects in Brazil and Venezuela overlap in interesting ways in their determination to achieve a more politically, economically and ideologically autonomous regional order. And while their domestic differences cannot be ignored, a regional war of position against those who would seek to dominate Latin America might well see some latent radical potentials rising to the surface. The prospects and implications of this scenario are explored in Chapter 7.

In summary, this chapter has sought to illustrate that a Gramscian approach to contemporary IPE issues has a lot to offer analytically, both in understanding the nature of the neoliberal world order, and also in pointing to the potentials for progressive alternatives that may be in the process of construction in Latin America. This is not to suggest that Gramsci has all the answers, nor that the use of his work in today’s context is unproblematic. As I argued in the Introduction, my aim is not so much to impose Gramsci’s theories on the current moment without regard to the difficulties of doing so; but rather, in Stuart Hall’s words, to ‘think problems through in a Gramscian way’ (Hall 1988, 161). In the next chapter I want to do this by concentrating more directly on the ‘problem’ of the neoliberal world order. I then turn in Chapters 4, 5 and 6 to Latin America in the more comprehensive context of what has been said to that point.
Chapter 3: The Neoliberal World Order

In the previous chapter, I set out the basic contours of a Gramscian framework for understanding contemporary capitalism. The strength of this framework, I suggested, was that it focused on the social relations of production underpinning current capitalist social reality, and it drew attention to the political and ideological means by which the dominant classes secure their hegemonic rule. Specifically, I pointed to Gramsci’s analysis of how the dominant classes construct politico-ideological projects he referred to as ‘historic blocs’ in order to rule not only through coercion but also through consent. Such an analysis is especially salient in the current context, because it allows for an examination of the way in which neoliberal social forces have sought to win consent for their ascendancy by constructing a historic bloc at the international level, or what Robert Cox has referred to as a ‘world order.’ Understanding the origins, key features and consensual nature of this neoliberal world order is thus crucial to any analysis of it, and of the resistance to it that has emerged in Latin America, in ‘Pink Tide’ terms. A more detailed analysis of Latin America in the age of neoliberalism follows in Chapter 4.

I begin this discussion, however, by briefly outlining Robert Cox’s work on ‘world orders,’ which effectively introduced Gramsci to International Relations (IR) in the 1980s. I situate this analysis within a broader discussion of hegemony in IR, in order to indicate the strengths of Cox’s approach in relation to orthodox IR. Subsequently, I begin the analysis proper by examining the Pax Americana world order constructed by the U.S. after World War II, and the organic crisis which engulfed it during the 1970s. Out of this organic crisis, new social forces became ascendant – chief amongst them
transnational capital – which subsequently attempted to reconstruct the world order in their own image through a ‘war of position.’ I examine this war of position in the third section of the chapter, highlighting the ideological project of the neoliberal world order. The successful dissemination of this project propelled neoliberal forces to power from the late 1970s onwards, from where they began the process of constructing a historic bloc at the international level in order to win consent for their ascendancy. I explore this process and the key features of this bloc in part four of the chapter. Specifically, I examine how the neoliberals utilised international institutions to construct a new ‘common sense’ worldview, articulated as the ‘Washington Consensus.’

I explore the consensual nature of the neoliberal project in part five. Particularly, I look at the social base of the neoliberal historic bloc, in order to examine its inclusiveness of the subordinate classes. I argue that the social base of this bloc is much narrower than that of Pax Americana, and suggest that while it has managed to attain a degree of hegemony in the core, its consensual nature is much more tenuous in the periphery, owing to its transference there through a process of ‘passive revolution.’ It is in the periphery, and Latin America especially, where the most significant challenges to the neoliberal order have emerged; challenges which I begin to explore in Chapter 4.

_Taking Gramsci to IPE: Hegemony, Robert Cox and the Neoliberal World Order_

In orthodox IR, hegemony is generally understood as domination; as the preponderance of a single state in the inter-state system. Neorealist scholars like Waltz have argued that in a situation where one state possesses more power than the others, it will create a hegemonic order, as the U.S. did following World War II (Waltz 1979). Other orthodox scholars have expanded on this approach to argue that a state's hegemony results not only from its overwhelming power, but also from the public goods that it provides in the international system (Kindleberger 1987; 1981; 1986; Gilpin 1987). The hegemon bears
the cost of these goods because this encourages other states, which benefit from them, to acquiesce in its dominance. In analysing the post-World War II period scholars have focused on America's 'public goods' role: in maintaining open markets; being the lender of last resort; upholding access to raw materials; and facilitating stable international monetary and trading systems as the keystones of its hegemonic position in the international system. Being the provider of public goods often also requires the creation of institutions and regimes to enable and facilitate their provision. Consequently, a range of orthodox scholars have focused on these regimes as integral to contemporary hegemony (Krasner 1983; Keohane 1984).

Two main critiques have been made of this orthodox view of hegemony. Firstly, much like the orthodox International Political Economy (IPE) literature I analysed in Chapter 1, this view remains rooted in a positivist ontology that abstracts states from the historical, social and cultural context in which they are created and assumes that state identities and interests are fixed and universal (Rupert 1990a, 71). The result is a static theory of world politics which precludes the possibility of radical change (Cox 1981, 131). Secondly, the orthodox approaches subscribe to a narrow understanding of power, which is conceived in Weberian terms as 'power over,' that is as coercion stemming from asymmetry of resources. This perspective has its roots in the Hobbesian notion of social and political anarchy which can only be contained by a powerful sovereign. In turn, this leads to a limited conception of the state as simply a coercive apparatus with a monopoly on violence within a defined territory – a notion transposed to the international arena, where the hegemon is seen to play a similar role to the sovereign in the anarchical international system (Gill 1986, 313).

However, as I indicated in Chapter 2, a more useful understanding of power can be derived from Machiavelli via Gramsci, as a combination of coercion and consent which, if balanced towards the latter, can result in hegemony. Such an understanding
draws attention to the way in which dominant actors, whether classes or states, secure their position not only through the coercive apparatus of the state, but also through ideological means in civil society. This view of power enables an analysis of the role that ostensibly ‘private’ actors in the international system – NGOs MNCs, transnational fora and the like – play in securing consent for it.

Joseph Nye (1990a; 1990b; 2002; 2004b) has attempted to deal with some of these issues by emphasising the role that consent plays in sustaining hegemony in IR. Specifically, he focuses on what he calls ‘soft power,’ based on ‘intangibles’ like culture, ideology and institutions, and the role it plays in legitimising a hegemon in the eyes of other states and peoples. Soft power based on culture and ideology is just as important as ‘hard power’ based on material resources, Nye argues, because if a state can ‘get other countries to want what it wants’ it will encounter less resistance to its dominance, and have other states follow it willingly (Nye 1990b, 166-7). Examining the post-war period, Nye contends that American culture, and its associated ideologies of democracy and liberalism, ensured that the Western world saw American hegemony as legitimate and desirable, and thus consented to the world order it constructed.

Nye’s notion of soft power is an important step towards resolving some of the problems of mainstream IR approaches, but it does not represent a break with them. Nye continues to subscribe to a restricted view of the state as embodying only coercive ‘political society.’ Soft power for Nye resides and operates chiefly through the ostensibly ‘private’ channels of civil society, and states can only hope to harness its potential. Such a view ignores the possibility that civil society is part of the state in a Gramscian sense, and therefore that culture and ideology are themselves produced by the dominant actors in the state as a means of legitimating their power. Accordingly, while Nye points to important consensual dimensions of hegemony ignored by other
orthodox approaches, he does not go far enough in transcending the problems of one-dimensional accounts within them.

It was in this context that Robert Cox introduced Gramsci to IR and IPE in the 1980s. In two seminal articles in *Millennium* (1981; 1983), and in *Production, Power and World Order* (1987), Cox constructs a neo-Gramscian framework in IPE terms, which has subsequently been used by a range of scholars to analyse the neoliberal world order. Within this framework, Cox grounds the notion of hegemony in the social relations of production, or more specifically in the actions of social forces engendered by them. Specifically, he analyses how changes in the social relations of production give rise to new 'social forces' which may then create different forms of state, embodied in historic blocs, in order to secure their hegemony. He contends that these types of historic blocs are usually constructed by the most powerful states, which will subsequently attempt to refashion the international system in their own image, creating a new 'world order.' In order to be hegemonic, such a world order cannot be simply imposed by the dominant state, but rather must be the result of negotiation in which concessions are made to other states. It must also be expressed in universal terms, as securing the interests of the international system as a whole, rather than just of the leading state (Cox 1983, 171).

Accordingly, Cox argues that hegemony at the international level is based on similar principles as it is within nation states. It requires the construction of an international historic bloc, bounded by an ideological social vision that has universal appeal across cultures and classes, in order to legitimise and justify a particular global order. Crucial in this regard are those international institutions which embody the rules of the world order and legitimate them ideologically, while co-opting opposition and marginalising challenges (Cox 1983, 172-3). Hegemony at the international level,
therefore, is ‘a social structure, and economic structure and a political structure; and it cannot be simply one of these things but must be all three’ (Cox 1983, 172).

Significantly, Cox points out, it is also a structure that impinges on the countries of the periphery in the form of a ‘passive revolution.’ Because such societies have undergone a different path of development, they will tend to incorporate only some aspects of the international historic bloc, without significantly transforming their power structures. Consequently, hegemony is more intense and consistent at the core, and more tenuous and laden with contradictions at the periphery. As such, challenges to global hegemony are more likely to emerge from the periphery.

Cox’s Gramscian approach to IPE has a number of advantages over orthodox approaches; advantages I have touched on in their original contexts in ‘framing’ the discussion to this point. Firstly, his understanding of power allows for an analysis of not only material capabilities and institutions but also ideology in the construction of hegemony. Secondly, it does not reify the state and the international system, but rather grounds it in the larger historical structure of capitalism. Such an understanding opens the possibility of structural change, which springs from developments in the social relations of production, or more specifically from the social forces they engender. This is not to suggest a simple one-way causality, in which all changes in the social relations of production automatically lead to changes in the world order. Rather, any change is contingent on the outcome of social struggles, which are not predetermined.

Furthermore, the relationship between social forces, forms of state and world order should be understood in dialectical terms; in that structures of world order can influence forms of state, and forms of state can also affect the development of social forces. It is the interaction between them that facilitates historical change. Accordingly, any analysis of the current neoliberal world order demands an understanding of how these historical interactions led to the ascendance of social forces which remade the
world order in their image. This necessitates an examination of the previous world order of *Pax Americana*, which I now briefly undertake.

**The Pax Americana World Order**

The origins of the *Pax Americana* world order can be found in changes to the social relations of production at the turn of the 20th century. These changes were apparent first in the U.S. under ‘Fordism’ (after its chief proponent Henry Ford), which combined mechanised, standardised mass production of consumer durables with mass consumption to generate massive increases in productivity (Overbeek & Pijl 1993, 11). Fordism also gave rise to new social forces centred, most importantly, on a powerful industrial managerial class and a growing industrial workforce emboldened by relatively high wages, and resistant to the tight management control that Fordism entailed (Rupert 1995, 67). In the ensuing class struggle, a new historic bloc emerged in America that sought to win consent for Fordism. This bloc was subsequently exported to the rest of the non-communist world following World War II, in order to win consent for a *Pax Americana* world order.

This historic bloc was characterised by the twin political projects of the Keynesian welfare state domestically and ‘embedded liberalism’ at the international level. The Keynesian state provided an expansive welfare system and pursued policies of aggregate demand management and full employment through countercyclical deficit spending. It also played a crucial mediation role between labour and capital in a corporatist structure, which on the one hand secured rising wages and expanding benefits for the working class, while on the other ensuring that the labour movement remained pliant and restrained (Morton 2007, 123). Internationally, the principle of ‘embedded liberalism’ sought to ensure a balance between keeping markets open to
foreign, especially American, goods, and protecting national economies from external shocks that could destabilise the Keynesian compromise (Cox 1987, 254-5).

Accordingly, the U.S. promoted a stable international monetary system based on fixed exchange rates and the dollar-gold standard, and encouraged a progressive lowering of tariffs and trade barriers under the General Agreement on Tariffs and Trade (GATT). At the same time, it acknowledged the right of governments to protect their own economies from the turbulences of the international economy in order to ensure domestic stability. Institutions like the IMF provided credit to countries with balance of trade and payments deficits to stave off recession, while the World Bank financed developmental projects (Rupert & Solomon 2006, 39-40).

These politico-economic projects were complemented by an ideological one which sought to elicit consent for the Pax Americana bloc and for American leadership of it; a project that sought to de-politicise the ‘economic’ base of the American-led capitalist system. In doing so, it argued that the productive gains enabled by Fordism were the result of a new type of liberal capitalism, in which the state, the business sector and workers cooperated to improve living standards; rather than resorting to traditional and destructive class conflict as so often in the past. Responding to the desires for peace and stability after two World Wars, this project equated these desires with the prosperity that could only be achieved by following the Fordist/Keynesian model (Rupert 2000, 25-7).

Pax Americana thus operated as a hegemonic order, at least in the core. Fordist productivity fuelled continuous economic growth in what became known as ‘the golden age of capitalism,’ and its benefits were redistributed more equally through the welfare state. In this way Pax Americana managed to successfully incorporate a wide range of class interests into the social order to foster consent. Internationally, the U.S. made concessions to other states based on the principle of embedded liberalism, which saw
the institutions of world order and the ideological project based on liberalism and
democracy attain a universal appeal across the Western world.

_Pax Americana in the Global Periphery_

In the periphery – in Latin America, Asia, the Middle East and Africa – the hegemony
of _Pax Americana_ was more tenuous, as its incorporation there occurred through a
process of 'passive revolution.' At first sight, nevertheless, the historic blocs
constructed in the periphery appeared similar to those in the core. They were based on a
strong 'developmentalist state,' which, the U.S. believed, would facilitate capitalist
development and act as a bulwark against communism (Augelli & Murphy 1988, 83).

This developmentalist state strategy was based on a process of rapid industrialisation,
designed to allow peripheral societies to shift away from a reliance on commodity
exports and their (often) declining terms of trade in the global marketplace. This saw
support for national capital, the nationalising of large sections of the economy, and the
protection of local industry behind tariff barriers. It also involved integrating the
growing working class into the social order through state corporatism and minimal
welfare structures.

These historic blocs in the periphery were held together with ideological projects
based on populism and nationalism, which sought to construct narratives of unity and
cultural coherence to lift societies above class and race cleavages in the pursuit of
modern capitalist development. While this nationalism (e.g. as independence struggle)
at times clashed with the social vision emanating from the _Pax Americana_ order, it
could and was incorporated within the _Pax Americana_ bloc particularly because it was
anti-internationalist and most importantly anti-communist.

However, this tension did provide radical openings, as societies empowered by
nationalist passions challenged their subordinate position in the international system.
The rise of potentially radical governments like Sukarno’s Indonesia, Mosaddegh’s Iran or Goulart’s Brazil was indicative of this. Yet all of these governments failed, toppled by American-sponsored coups amid economic and political crises. This, in retrospect, highlighted the limits of the developmentalist historic bloc strategy and it focused attention on the historical and structural tensions faced by the *Pax Americana* world order as it sought to universalise its historic bloc via passive revolution.

The problems here often centred on tensions between those integral to the new developmentalist state strategy – the urban middle class and workers – and the traditional power brokers; the land owning oligarchy in the countryside where the ‘new order’ was resisted. Only a few peripheral countries, most notably Mexico, South Korea and Taiwan, managed to successfully carry out land reform, which undermined the power of the old elite and buttressed that of the industrial social forces (Cox 1987, 238). Elsewhere, the landed elite not only resisted the industrialisation process but worked actively to undermine it. For example one of the triggers for the 1965 coup against Sukarno was the prospect of land reform, which incensed the traditional ruling class (Cox 1987, 239). The continuation of traditional class relations in the countryside also ensured that the rural masses continued to face poverty and lack of opportunity, leading to mass migration to the cities where the industrialisation process could not create enough jobs and where massive urban slums developed around large cities like Karachi or São Paulo, stoking social tension (Cox 1987, 240).

There were more direct problems also in the relationship between *Pax Americana* and states in the periphery. The continuing reliance on foreign capital for ‘development’ only increased these problems as Western corporate investors refused to comply with demands for increased taxation or regulation, and peripheral states found little support when they turned for help to the dominant institutions of the world order. All too often this resulted in rancorous relations and a ‘flight of capital’ that sparked
economic and social crises (Cox 1987, 236-7). By this stage, however, the subordinate classes – empowered by ideological projects based on promises of political participation and social progress – were prepared to mobilise to defend their gains; while indigenous capitalist sectors illustrated just how committed they were to the social unity narratives.

The usual response came in the form of a military coup, supported by the urban middle classes, the rural landowners and the U.S., which invariably helped place in power regimes committed to crushing the challenges to the status quo. For the most part these military regimes failed to resolve the tensions within their social orders, merely covering them up through the use of repression and violence. The problems in the periphery were a harbinger of things to come in the post-Cold War era, but by the 1970s there were more general signs of ‘organic crisis’ throughout Pax Americana. In the discussion to follow I touch on the dying days of the Pax Americana order and the emergence of a new neoliberal hegemony; the historical era, in Gramsci’s terms, when ‘the old is dying and the new cannot [yet] be born’ (Gramsci 1971, 276).

The Organic Crisis of Pax Americana: Challenges to the Global Consensus

The organic crisis of Pax Americana was manifested most clearly in a series of economic, political and ideological crises throughout the 1960s and 1970s. In ‘economic’ terms, the first global recession since World War II in 1974-5 highlighted the limits of the Fordist mode of production, which, in order to thrive, relied on continuing productivity gains and an ever-expanding market for its goods. By the

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4 The most notable exceptions in this case were the Newly Industrialised Countries (NICs) in East Asia. There, a thorough break with the old class structures, combined with close protection by the U.S. in the East Asian Cold War theatre allowed them to begin to orient their economies towards exports of value-added manufactures, which improved their position in the international economy. Nevertheless, they remained largely ruled by authoritarian military regimes, suggesting that the their historic blocs still had a way to go before they could be considered hegemonic in a way that those in the core were.

5 Following more than two decades of uninterrupted growth since World War II, the world economy experienced 2 years of negative per capita GDP growth in 1974 and 1975. The overall average global growth rate during the 1970s was 2.4 per cent, down from 3.5 per cent in the previous decade. Inflation
1970s, however, those countries which had adopted Fordism first – especially the U.S. – were falling behind in productivity compared to latecomers like Germany and Japan and certain peripheral countries, especially the Newly Industrialised Countries (NICs) in East Asia (Harvey 1989, 141). Moreover, after nearly three decades of continually expanding markets, industrial capacity became surplus to demand, leading to overproduction and market saturation (Cox 1987, 249). This was only exacerbated by the increasing differentiation of market demand, which required innovation and flexibility which could not be met by the standardised mass production that characterised Fordism (Cox 1987, 321). Overall, Fordism seemed to be exhausted as a mode of production, exemplified by falling profit rates and the overaccumulation of capital (Harvey 1989, 143).

This prompted the global capitalist sector, led by the U.S., to break free of the constraints of Fordism and Keynesianism from the early 1970s onwards. This saw a moving away from the rigid Fordist mass production line towards knowledge-intensive and service-oriented industrial systems and technologies (Hooey 1992, 90-1). Consistent with the search for flexibility, the global capitalist sector has also sought greater mobility in order to relocate production to where costs and conditions are more advantageous. Aided by the revolutions in transport and communications technologies, this has generally meant ‘going global’ by relocating the labour intensive parts of the production process to the periphery.

This has had enormous benefits for many corporations but has also exacerbated some deep tensions in the capitalist system and ideology – both in its rich world ‘core’ and increasingly, as noted above, in the global periphery. A major problem in the core is

averaged 5.3 per cent annually in the industrialised capitalist countries between 1970 and 1972, and rose to more than 10 per cent annually from 1974 onwards. Likewise, global unemployment increased to 5 per cent in 1975 and remained there throughout the decade. The U.S. experienced a peak unemployment of 9.2 per cent in 1974, while inflation reached the highest levels since World War II. Likewise in Europe, it peaked at over 12 per cent in 1975, while unemployment neared 4 per cent. (Harvey 2005, 14, 154; Cox 1987, 274; Currie 1983, 79; Yergin & Stanislaw 1998, 64)
that the globalisation of the financial system and the dramatically enlarged search for profits at the lowest cost has seen capitalist ‘economic’ interests undermining the balance of social forces on which the *Pax Americana* historic bloc rested, and by which the capitalist system legitimated itself after World War II.

In the core states, consequently, while the ‘winners’ in the globalised system have enjoyed unparalleled success in financial terms, the ranks of the ‘losers’ have been swelled by many members of the national capitalist sectors and the working classes. The former grouping has struggled to compete with cheap products from the periphery while the latter has been increasingly sidelined and marginalised, not only via growing unemployment and stagnating wages, but also by the adoption of ‘flexible’ working arrangements to suit the post-Fordist mode of production (Gill & Law 1993, 108; Harvey 1989, 147). This represents a major challenge to expectations developed after World War II and to the power of organised labour enshrined in the Keynesian compromise. In the ensuing struggles, capital’s growing flexibility and mobility has, for the most part, given it the upper hand. It has bypassed organised labour by relocating to non-unionised locations or – given high levels of unemployment – undermined union power by hiring non-unionised, immigrant, part-time and contractual labour (Harvey 1989, 147). In this way, however, by altering the balance of social forces within the historic bloc to serve its immediate profit imperative, the final era of the *Pax Americana* hegemonic project threatened the ‘consent’ matrix that underpinned it.

This became increasingly evident as tensions in the ‘economic’ sector were coupled with a political crisis of the Keynesian state. Keynesian orthodoxy dictated that in the face of an economic downturn, the state engage in countercyclical spending to boost demand and prevent recession. Accordingly, most Western states moved to increase spending in response to the economic crisis of the early 1970s. However, due to the deeper structural problems in the mode of production, this failed to bring about a
sustained recovery, leading to a loss of confidence in Keynesian prescriptions. Moreover, the crisis of the 1970s highlighted a much bigger issue at the heart of the Keynesian state. In order to fund social programs and continue investment in the economy, the state relied on relatively high levels of taxation. As corporate profits fell and unemployment rose, it found itself squeezed on both sides by decreasing revenues and increased spending, resulting in a fiscal crisis. Thus the Keynesian state could only fulfil its dual role of aiding the accumulation of capital and securing the welfare of society as long as economic growth continued.

Once the boom years ended, however, the tripartite compromise between capital, labour and state came under assault, as each side sought to defend its gains (Cox 1987, 281-2). Furthermore, the fiscal crisis fuelled a growing resentment towards the state – now represented by free market advocates as an oversized, bureaucratised and ossified behemoth that failed to deliver quality services, but excelled at regulating people’s lives. This resentment became widespread amongst the middle classes, who bore the brunt of funding the state, and whose living standards declined in the economic downturn. Increasingly the Keynesian state was experienced ‘not as a benefit but as a powerful bureaucratic imposition’ (Hall 1988, 51).

These economic and political crises were exacerbated also by a crisis of the ideological project; a crisis often manifested in sites and over issues traditionally considered ‘marginal’ to politics (Hall 1988, 214). However, as Gramsci explained, ‘organic crises’ would first arise on the terrain of civil society, manifested in challenges to the dominant class power over questions which did not seem intuitively political, but which in fact were signs of things to come. Such challenges were increasingly emerging from two flanks.

On one flank, student and counter-culture movements comprising a ‘new left’ that emerged in the 1960s amid the social chaos of the Vietnam War, contested the
hegemonic common sense on questions of moral conduct, gender, sexuality, ecology, and cultural and national identity (Hall 1988, 8). These groupings argued that despite promises of personal freedom and opportunity, Western societies were still structured according to rigid, educational, corporate and bureaucratic hierarchies which stifled individuality and freedom of expression (Harvey 2005, 41). Likewise, claims that the Western historic bloc guaranteed democracy and popular sovereignty were challenged. Far from representing the people’s will, Western governments, together with powerful corporations, seemed to be ruling the world in oppressive and unjust ways (e.g. Vietnam) and lying to their citizens about it (Harvey 2005, 42).

On the other flank, the same ideological project was challenged by conservatives, concerned about the anti-war movements, the counter-culture phenomenon in general and the perceived ‘extremes’ of individualism and democracy. Thus anxiety abounded about too much freedom in the modern era – about the dangers of crass materialism; about the breakdown of the traditional family; about minorities, feminism and homosexuality; all of which seemed to represent a ‘threat to the traditional way of life’ in Western societies (Hall 1988, 34-5). From this perspective, it all added up to a problem of ‘ungovernability,’ and to a lack of moral and cultural fibre that, if unresolved, would lead to the demise of the liberal-capitalist world order and the ‘decline of the West’ (Crozier et al. 1975). The point is that, taken together, these very diverse challenges about things other than ‘politics’ represented the breakdown of the social consensus and unity on which the Fordist/Keynesian social vision rested.

This organic crisis was also reflected at the international level – as a crisis of U.S. hegemony. In large part, this was the result of the unwillingness of the U.S. by the late 1960s to continue bearing the burden of hegemony. In deep financial and political strife, primarily as a result of its intervention in Vietnam, the U.S. sought to shift some of the burden onto its allies (Gill 1993b, 249-50). One way of doing so was to abandon
the Bretton-Woods induced gold-dollar standard in 1971, which devalued the U.S. dollar, making American goods more competitive and easing the country’s balance of payments deficit. Another was President Nixon’s proclamation of the Guam Doctrine in 1969, which withdrew American troops from South East Asia and informed U.S. allies in the region that they were now responsible for their own defence. These actions eased the burden of hegemony on the U.S., but also put its willingness and ability to fulfil its hegemonic role in doubt.

This prompted further challenges to America’s legitimacy and that of its Western allies. And while the problems of the developmentalist model still dominated in the global periphery, in the volatile age of organic crisis there was space for a brief but significant challenge to the global status quo from this quarter. A challenge most famously carried out by a group of oil producing states which seized the moment of faltering hegemony to confront the U.S. and the major Western industrial states on the question of the price and supply of oil. Representing themselves as OPEC (the Organisation of Petroleum Exporting Countries), and forging alliances with other peripheral states at the U.N., this grouping demanded a better deal on oil revenues and more generally, a New International Economic Order (NIEO) (Augelli & Murphy 1988). The NIEO demand, for the most part, lacked policy coherence but, importantly, it spoke of the need for a more equal distribution of resources in the international economy, and a greater voice for the periphery in the international system. More importantly, it represented the first time that the periphery spoke with confidence to its ex-colonial masters and the U.S., as it sensed weakness and vulnerability in the hegemon. As such, it represented a direct challenge to the global balance of forces on which Pax Americana rested. It was, in the Gramscian sense, a moment of organic crisis which would prompt a new war of position struggle and the development of a new historic bloc to either sustain the structural status quo or fundamentally change it.
The War of Position in the 1970s and the Emergence of the Neoliberal Alliance

As Gramsci suggested, an organic crisis cannot be resolved by simply preserving the status quo, but requires far-reaching changes to the social order. As the crisis of Pax Americana unfolded during the 1970s and early 1980s, there were numerous attempts to do this. Most were in the form of a 'passive revolution' sponsored by global capitalism and major political and social organisations seeking to make concessions to a global community, which was no longer willing to give its consent with the same enthusiasm as in earlier times. The Brandt Commission reports in 1980 and 1983, for example, proposed a 'north-south Keynesian compromise' in response to the demands of the NIEO. Jimmy Carter was elected President of the U.S. in 1976 on the promise of reining in some of the more belligerent aspects of American economic and politico-strategic hegemony, and of introducing 'human rights' as a core principle of U.S. foreign policy (Augelli & Murphy 1988, 5). And at the more radical end of the spectrum was the 'Swedish Model' of the 1980s that sought to 'tame capitalism' and transform it into a worker/share-owner democracy (Harvey 2005, 15).

Ultimately however, the position that prevailed was that favoured by the major Western states and international finance capital, which maintained that the crisis of the system was not caused by too much aggressive capitalism, but not enough. Keynesian economics and its welfare mentality – and the embedded liberalism of the Pax Americana world order – needed to be dismantled and replaced with a more dynamic projection of global capitalism as a solution to the problems of growth, stability and prosperity.

This saw the emergence of the neoliberal world order and the restoration at its core of the American hegemon. In the context of this work, it saw the development of a war of position from around the mid-1970s on the terrain of both national and global civil society led by a range of neoliberal 'organic intellectuals' in politics, in the
corporate sector, in universities and in the media. This entailed taking control of or creating new institutions in civil society, both within states (e.g. via the 'Chicago School' economists in the U.S., or the Institute of Economic Affairs in Great Britain) and globally, exemplified by the Mont Pélerin Society (Mirowski & Plehwe 2009) or the Trilateral Commission (Gill 1990). From these institutions, neoliberals launched an ideological assault on Keynesianism.

The crisis of the 1970s, they argued, was in fact caused by Keynesian prescriptions, as excessive state spending sparked inflation, which created economic and social uncertainty and thus inhibited investment (Hayek 1978, 192-6). This argument was influenced by the theory of monetarism which held that inflation was solely caused by an excess of money, and therefore needed to be combated by curbing its supply. This was to be done through limiting government spending, increasing interest rates and clamping down on wages (Friedman & Schwartz 1971). Monetarism represented a significant change of track from the post-World War II orthodoxy in Western societies and it was part of a larger re-emergence of neoclassical economics in academic circles in particular, illustrated by the awarding of the Nobel Prize for Economics to Friedrich Hayek in 1974 and Milton Friedman in 1976. In contrast to Keynesianism, neoclassical economics posited that state intervention in the economy was bound to fail, since the state could not possibly posses all the available information to make rational decisions regarding the allocation of resources (True 1985, 52).

The neoliberal argument against state intervention in the economy was thus part of a larger ideological offensive which upheld the market as the ultimate mechanism capable of guiding all human action, while denigrating the state as the source of inefficiency and social malaise. Reflecting a return to a 19th century laissez faire liberalism, neoliberals argued that 'economic freedom is...an indispensable means towards the achievement of political freedom' (Friedman 1962, 8). This intimated, of
course, that any state intervention in the economy was a threat to personal freedoms— a core theme of Hayek’s influential work *The Road to Serfdom* (Hayek 1946). In this regard the Keynesian state was likened to ‘totalitarian’ communist states. Both, it was claimed, spawned a stifling bureaucracy which drained society of liberty and individual initiative (Harvey 2005, 42).

In making this argument, neoliberals tapped into the negative perceptions of the state in much of the popular consciousness, attributing all of society’s ills to its oppressive and interventionist reach. ‘There is nothing wrong,’ Friedman claimed ‘that a dose of smaller and less intrusive government would not cure’ (cited in: Hooey 1992, 79). In place of a reliance on the state, neoliberals argued, human wellbeing could be best advanced by extending market relations, not only in the economy, but to all parts of social life (Harvey 2005, 3). Doing so would create a ‘spontaneous order,’ in which the invisible hand of the market would harmonise the pursuit of self-interest by individuals for the good of all.

The neoliberals propagated this vision of a spontaneous ‘market’ order in response to the demands and grievances emerging from both left and right during the organic crisis in Western societies. To the counter-culture movements on the left, the neoliberals offered the market as the ultimate social leveller, which would break down the old hierarchies and traditions and smash the cabal of the state and corrupt corporations that was oppressing their societies. In its place, they promised a new social order based on the ‘impersonal’ free market, which rewarded all individuals based on merit and allowed them ‘freedom of choice’ in terms of lifestyles, sexual orientations, values and consumption (Hooey 1992, 82).

At the same time, the neoliberals promoted the market as the answer to the demands emerging from those disillusioned with the pace of change and permissiveness of modern society on the right. Here, the emphasis was on the market as a site where
‘individual responsibility’ would flourish, bringing a much needed dose of discipline to society. Key in this regard was the dismantling of the welfare state, which was represented as an ‘excess of democracy’ – the result of politicians squandering taxpayer’s money in order to pander to minorities like blacks, immigrants, feminists, homosexuals and single mothers, creating a permissive ‘welfare culture’ which was the source of the decay engulfing modern Western society (Harvey 2005, 50). Dismantling the welfare state would thus allow the ‘magic of the marketplace’ to create a more disciplined society where people took responsibility for themselves and traditional family values and respect for authority and tradition would once again become paramount.

In these ways, the neoliberals sought to tap into a wide array of societal demands to build consent for their project of dismantling the Keynesian state and unleashing the free market. This was by no means an easy feat, and the war of position was a drawn out affair for neoliberalism – especially given the fact that the demands from both sides sat uneasily alongside the neoliberal project. From the left, the demands of the counterculture movements included not only the call for greater individual freedom from social hierarchies, but also the pursuit of social justice for those economically and politically marginalised, and the market based individualism hardly sufficed in this regard (Harvey 2005, 41) Likewise, one of the primary causes of anxiety on the conservative right was the very consumerism and individualism that the neoliberals promoted so enthusiastically. Yet, contradictory as they were, these tensions were largely reconciled in the process of the war of position. Effectively, the neoliberals offered to fulfil the ‘social’ demands of the left, while downplaying the economic ones. Thus, the hierarchal structures of society were loosened to enable social liberation – on civil rights, women’s rights, sexuality, lifestyle, values and morality, while calls for social justice were marginalised (George 2009, 31). At the same time, the neoliberals fulfilled the
economic' demands of the right, while allowing the free market to further atomise society. Thus, the 'totalitarian' welfare state was dismantled, and a degree of (market) discipline was imposed on society, all the while the social liberation revolution continued unabated. This of course created its own tensions that would manifest themselves in 'culture wars' across much of the Western world, but for now it enabled the neoliberals to cobble together an unlikely alliance of social forces to propel them to power, most prominently in the U.K. in 1979 with the election of Margaret Thatcher, and in the U.S., with the election of Ronald Reagan in 1980.

The Construction of the Neoliberal World: Coercive and Consensual Pressures

Once in power in major states of the global core the neoliberals sought to expand their project to the rest of the world. Central to this project was the 'competition state,' in which the welfare of society was increasingly understood as secondary to the need to secure capital accumulation, the benefits of which would eventually 'trickle down' to the rest of the population (Cox 1993, 266). There was a need for such restructuring, neoliberals argued, because in an increasingly global economy across which capital moved seamlessly and instantaneously, states needed first and foremost to concentrate on creating a 'business friendly climate' in order to attract global capital flows. Creating such a climate required re-establishing macroeconomic stability, primarily through a strict adherence to monetarism, which, through high interest rates and fiscal constraint, would reduce demand and halt inflation. Moreover, the state needed to drastically reduce its spending, especially on welfare, and carry out a large-scale privatisation of 'inefficient' state industries to ease its fiscal burden and provide new opportunities for capital accumulation (Augelli & Murphy 1988, 156-7).

Having achieved stability, the state then needed to actively attract capital through favourable taxation regimes, deregulation, and a passive labour force (Hooey
1992, 77). Moreover, all other areas of social life were to be opened up to the logic of the market in order to increase efficiency and create new opportunities for profit. This involved reducing tariffs, subsidies and other trade barriers in order to discipline inefficient national industries; it also meant the ‘rationalisation’ of the state apparatus to increase efficiency, and the opening up of previously protected spheres of social life like welfare, education, health and pensions to capital accumulation. In short, the logic of the capitalist market was to become the modus operandi of governance and social life in the neoliberal global order (Gill 1995a, 409).

This represented a radical departure from the Keynesian state and the ‘embedded liberalism’ compromise which underpinned the Pax Americana order, towards a new balance of forces in which capital – especially transnational capital – was ascendant. Predictably, this sparked much resistance from the ‘losers’ of neoliberal restructuring – chiefly national capital and the organised working class. However, capital’s growing mobility meant that it could withdraw investment virtually instantaneously if states failed to create a ‘business friendly climate’ (Cox 1987, 281-2). In this context, societies often had little choice but to enact neoliberal reforms which, once in place, gave capital even greater structural leverage, thus creating a self-fulfilling prophecy (Gill & Law 1993, 105-7). Moreover, the pressures came not only from capital, but also from the institutions of world order which, refashioned by the Reagan administration in the 1980s, now became key promoters of the neoliberal project.

Institutions like the IMF and the World Bank – purged of Keynesian influences – pushed for the ‘structural adjustment’ of countries in financial crisis. Newly created institutions like the World Trade Organisation (WTO) gained unparalleled powers to punish those states which reneged on their commitments (Robinson 2008, 18). International agreements to create common markets, such as the Maastricht Treaty and the North American Free Trade Agreement (NAFTA), contained measures that legally
locked in’ key neoliberal reforms, preventing their reversal by future governments (Gill 1995b, 72). And ‘private’ organisations in global civil society also played a crucial part in this process. The most important of these were credit rating agencies like Standard and Poor’s and Moody’s, which assessed their satisfaction or otherwise with the business climates of particular states, thus increasing the pressures to implement and sustain neoliberal reforms.

Coupled with these coercive pressures were consensual ones, as the global war of position promoted a new ‘common sense’ conception of the world amongst policymaking elites which would accept neoliberal restructuring as an apolitical, inevitable response to the ‘impersonal’ pressures of market forces beyond their control. The outcome of this process was an elite worldview dubbed the ‘Washington Consensus’ (WC), which accepted the superiority of free markets over state-run economies, and the necessity and inevitability of integration with the neoliberal global economy (Williamson 1990).

The role of economists in constructing this worldview was crucial. Reflecting the ascendancy of neoclassical economics in their discipline, economists increasingly spoke with one voice, representing the globalising world economy as the objective and inevitable state of nature to which all states had to adapt. Neoliberal policies were the only rational and reasonable means to do so, economists contended, as clearly indicated by the failure of the Soviet Union and the success of the outwardly-oriented NICs in East Asia (Gore 2000, 729). Accordingly, economists became the chief ‘organic intellectuals’ of the neoliberal world order, conferring legitimacy and authority on the neoliberal consensus by the virtue of the supposedly neutral and scientific nature of economics (Rupert 2005, 460-1). Armed with complex theoretical models and jargon, they monopolised the terms of debate, rendering criticisms from alternative frameworks
ineffective, and dismissing their opponents as deluded idealists who did not understand ‘real’ economics (Richardson 2001, 155).

By the early 1990s, the Washington Consensus attained a sufficient degree of hegemony so that the economist who first coined the phrase was able to dismiss any of those who did adhere to it as ‘cranks,’ and proclaim that the proof for its superiority:

may not be as conclusive as the proof that the Earth is flat, but it is sufficiently well established as to give sensible people better things to do with their time than to challenge its veracity.

(Williamson 1993, 1330)

Policymakers enamoured with WC thus brought considerable ideological pressure on states to carry out neoliberal reforms, in order to complement the structural pressures from capital and institutions of world order. How countries dealt with these pressures depended on their position in the hierarchy of the international system.

*Responses in the Neoliberal World Order: the 'Third Way' vs. Structural Adjustment*

Inevitably, some states had more leeway than others in responding to neoliberal pressures to reform. The privileged position of the countries in the capitalist core gave them more leverage vis-à-vis both transnational capital and the institutions of world order (Cox 1993, 260-1). Likewise, some of the states in the periphery, most importantly the NICs, which had low levels of external debt and were experiencing rapid economic growth, were also in a more favourable position. In both cases, these countries managed to negotiate some breathing space in which to restructure their economies and societies, resulting in slightly different forms of state, which were more adept at creating the conditions necessary to build consent for the neoliberal world order.
These forms of state, whether the ‘Third Way’ in countries like Germany, France or the U.K., or the ‘developmental state’ of the East Asian NICs, had certain characteristics which differentiated them from the pure ‘competition state’ model promoted by neoliberal forces. Most importantly, these countries still foresaw an activist and interventionist role for the state in devising an industrial policy that would enhance the competitiveness of national capital in the global economy. In countries like Germany and France, this entailed affording national producers a degree of temporary protection from global competitive pressures, coupled with state funding and investment in innovation and technological development which would enable a more valuable integration with the global economy (Cox 1987, 290). In the East Asian case, state intervention in the economy also continued, in the form of providing the physical and social infrastructure necessary for development and export promotion (Harvey 2005, 72).

Furthermore, in both cases, the state continued to take a degree of responsibility for social welfare rather than leaving it completely in the hands of the market. In the Third Way model, in Europe, the state afforded some protection to society as a temporary measure to facilitate its transition to a more competitive economy. This took the form of incentives for workers to become more efficient, competitive and entrepreneurial through measures like training, skills upgrades or educational opportunities. It also included the continuing provision of some sort of social safety net, conditional on recipients improving their competitiveness and moving off welfare (Giddens 1998, 118-28). In the East Asian model, state investment in education and healthcare as a means to build up the ‘human capital’ necessary for development also persisted, contrary to the neoliberal prescriptions of transferring them to the market (Harvey 2005, 72).
These forms of state thus took a more active role in integrating the ‘losers’ of neoliberal restructuring – particularly national capital and the subordinate classes – into the historic blocs within their societies. This created a sense of solidarity in the process of restructuring, which made consent easier to attain than under the pure neoliberal project of the ‘competition state’ (Cox 1987, 292). Nevertheless, these countries continued to face pressures from the neoliberal world order, as the NICs found out during the 1997-8 Asian Financial Crisis. A similar process seems to be underway in Europe following the Global Financial Crisis of 2008, with states like Ireland, Greece and Spain now forced to abandon their more interventionist policies and implement the neoliberal project more comprehensively.

This increasingly subordinate position reflects the experience of the vast majority of countries in the periphery, which have felt the pressures of capital and international institutions more directly in the process of restructuring. The most important factor here has been the precarious economic situation of most of these countries. While peripheral economies boomed in the 1970s, this success was largely based on growing debt: between 1970 and 1977, the public debt of 96 peripheral countries increased from $75.1 billion to $272 billion (Cox 1987, 428). These debts were predominantly held by American banks and denominated in American dollars, meaning that the American turn to monetarism in 1979 made them increasingly unsustainable. Between 1979 and 1982, the annual interest payments of peripheral nations alone doubled from $24 billion to almost $50 billion. At the same time, the worldwide recession brought about by monetarist austerity shrunk the export markets for their products, meaning they struggled to earn enough foreign currency to service their debts (Augelli & Murphy 1988, 165-6).

Increasingly, the sums did not add up, and as Western banks refused to roll over debts, the periphery experienced economic crisis manifested by high inflation, balance
of payments deficits, capital flight, stagnation, unemployment and increasing poverty. This finally exposed the tensions within the developmentalist historic blocs that had been suppressed until then. The resultant organic crises left most countries in the periphery with little leverage vis-à-vis the global economy, particularly after the IMF and the World Bank put together ‘structural adjustment packages’ (SAPs) that guaranteed new loans in return for far reaching neoliberal reforms. On the brink of bankruptcy, and with capital refusing to extend new funds without IMF and World Bank approval, peripheral countries had little choice but to accept the SAPs. Between 1978 and 1992, more than 70 countries signed up for 566 of them (Robinson 2008, 18-19).

I will discuss the process of transferring the ‘competition state’ to the periphery in more detail in the next chapter, when I explore its implementation in Latin America in the 1980s and 1990s. The most important thing to observe in this context is that neoliberalism arrived in the periphery through much more coercive means than in the core. In attempting to create ‘market economies’ integrated with the global economy, the SAPs imposed the pure model of the competition state on the periphery without much regard for the local context, and with little input from society. This model of state represented a radical change of course for societies in which the state had historically played such a central role in developing the country. The sudden loss of social protection sparked ‘IMF riots’ as people protested the cuts in spending, drastic price hikes, suppression of wages, recession and unemployment that resulted from the adoption of SAPs. One of the most notable of these was the Caracazo in Venezuela in 1989, where at least 1,000 people were killed by the army in riots following the doubling of the price of petrol as a result of an SAP agreement. The IMF and other international institutions themselves became objects of resentment, associated directly with the forceful imposition of neoliberalism, in contrast to the core where
neoliberalism was seen more as a result of the impersonal market forces (Cox 1987, 265). Such a situation made consent much more difficult to construct.

Nevertheless, from the beginning, there was a degree of support for the neoliberal order in the periphery. This support emanated from Western-educated technocratic and policymaking elites, and the internationally-oriented within indigenous capitalist sectors, who took advantage of the organic crisis of the developmentalist historic bloc to win consent for neoliberal restructuring. They did so by arguing that, as a result of years of 'irrational' policies, the developmentalist states had left their countries with inefficient and backward economies that simply could not survive in a globalised age (Gore 2000, 793). While the SAPs would involve initial pain, they would be a price worth paying for the long-term benefits of integration with the global economy. Openness to the global economy would bring not only the capital and technology needed for development but also Western consumer products hitherto denied to customers. It would also impose efficiency on local industry, which would result in better services and products at cheaper prices. In sum, the argument went, integration with the global economy would allow people in the periphery to enjoy the same types of lifestyles as their counterparts in the Western world. It was in this sense an opportunity to 'catch up' to the West, and finally achieve the goal of modernity and progress that had eluded the Third World. Furthermore, indigenous neoliberals argued that restructuring would go hand in hand with democratisation, given that individual freedoms enjoyed in Western democracy were based on the freedom of the individual in the market. This unity of the free market and free society came to be encapsulated in the increasingly 'common sense' notion of 'free market democracy' – a tempting proposition for societies exhausted by decades of repression and dictatorship.

For a while this ideological project was successful. With inflation tamed and volatile economies stabilised, the neoliberals seemed to be correct about the need to
minimise state intervention in the economy. Likewise, the rapid influx of Western consumer goods following the opening to the global economy enabled the dominant classes to enjoy a consumerist boom, while the subordinate classes believed that it was only a matter of time before they too could join this lifestyle. Furthermore, as the ‘third wave’ of democratisation brought down repressive regimes around the world in Latin America, Eastern Europe, Africa and Asia in the 1980s and 1990s, the promises of democracy also seemed to hold true. While much more tenuous than in the core, and crucially reliant on the development and improvement in social conditions which it had promised but not yet delivered, neoliberalism nevertheless attained a degree of hegemony in the periphery.

*The Social Base of the Neoliberal Historic Bloc*

The neoliberal project was thus implemented around the world with varying degrees of coercion and consent. In order to examine and evaluate its long-term hegemonic prospects, however, it is necessary to explore the breadth of its social base – in particular, the extent to which it integrates the subordinate classes and speaks to their interests and experiences. As Gramsci argued, social orders become hegemonic only if the subordinate classes perceive it as representing their interests and when they have a meaningful stake in it. The *Pax Americana* order managed to do this, at least in the global core, where the organised working class enjoyed a junior leadership position in the historic bloc alongside the state and capital. By contrast, the failure to achieve such a successful integration in the periphery was one of the key causes of the unstable nature of hegemony there in the 1960s and 1970s. In the current world order, the social base of the neoliberal historic bloc is much narrower, both in the core and the periphery, making its hegemony more tenuous.
In particular, the leadership grouping at the apex of the neoliberal historic bloc, those Cox refers to as the ‘transnational managerial class,’ is much narrower following the marginalisation of national capital and organised labour. It consists primarily of the managers of transnational corporations; of technocrats in national and international institutions; and other experts and specialists involved in managing the global economy, including management consultants, business educators, publicists, lobbyists, economists, accountants and lawyers (Cox 1987, 359-60). This class shares a global orientation, and a commitment to further globalisation and interdependence in the global economy. Its cultural outlook is based on American values even though its members see themselves as ‘global citizens,’ committed to a cosmopolitan ‘global village’ which transcends state borders and abandons anachronistic notions of nationalism (Cox 1987, 359). The political wing of this ‘managerial class’ is composed mainly of the leaders of core countries, with the U.S. at its forefront. Thus, while the neoliberal historic bloc has more of a transnational orientation than Pax Americana, it is still unmistakably an American project, constructed, promoted and legitimised by the U.S. as a means to re-establish its hegemony (Gill 1993b, 252).

Below the leadership group in the ‘transnational managerial class’ is a second, larger layer constituted by the ‘winners’ of neoliberal restructuring, representing a crucial source of consent for the world order. This group includes skilled, knowledge-intensive workers such as scientists, managers, academics and other professionals, often employed in transnational or internationally-oriented companies (Gill & Law 1993, 109). It also includes those sections of the working class employed in transnational companies and national enterprises that have managed to competitively plug into the global economy. These workers generally enjoy decent wages and conditions and can take advantage of the greater freedom of action in the labour market that comes with post-Fordism (Harvey 2005, 53). The final members of this grouping are the nouveau
riche, in the core and the periphery, who have managed to seize the opportunities of the free market to quickly enrich themselves. They play a crucial role as organic intellectuals in the neoliberal order, signifying and promoting the potential of social mobility inherent within it.

Together, this second layer is central to what J.K. Galbraith (1992) has referred to as ‘the culture of contentment,’ based upon the ideologies of those who under neoliberalism have seen their standards and quality of life improve, particularly in ‘economic’ terms. These are the ‘winners’ in the global marketplace; those able to take the opportunity for global travel, entertainment and communication in the neoliberal era; those most able to take advantage of enhanced ‘freedom of choice’ in lifestyles, modes of expression, sexuality and cultural practices (Harvey 2005, 42). This class also often enjoys social protection from the state, in the form of benefits, tax cuts and subsidies, which ensures its loyalty to the status quo (Gill 1995a, 401). And importantly, its social and political ‘contentment’ means that it is easily mobilised against any perceived threats to its privileges and to the system that provides these privileges.

The social base of the neoliberal order is thus much narrower and more exclusionary than its Pax Americana predecessor. The ‘contented’ may represent close to half the population in the core, but globally they make up no more than 20 per cent of the world’s population which, nevertheless, holds an astonishing 83 per cent of the global income. The remaining 80 per cent are left with 17 per cent, of which the bottom 20 per cent receive only 1 per cent (Gill 1995b; Ortiz & Cummins 2011).

This marginalised ‘discontented’ mass includes large sections of the working class not plugged into the global economy, which have seen their incomes, conditions and opportunities deteriorate in the push towards flexible accumulation. Moreover, many laid off workers have been reemployed in the rapidly expanding service sector, where conditions are poor, regulation weak and wages low. Women, youth, immigrants
and minorities are also overrepresented in this sector, and often find their conditions lagging behind their white, male counterparts (Rupert 2000, 39). While the actual plight of the working class differs between countries, there has been an unmistakable trend towards its expulsion from the junior leadership role it enjoyed in the *Pax Americana* historic bloc, exemplified by the decline of union density and the share of wages to GDP around the world (ILO 1997; 2008).

A similar trend can be observed in relation to national capital, which has struggled to compete with its transnational counterparts, especially in the recessionary conditions of monetarist austerity (Gill 1993b, 279-80). Its diminishing position can be observed in the decline of manufacturing industry throughout the core, and in the destruction of domestic industries in the periphery – both unable to compete with cheaper imports from other sites in the global economy. From this marginal position, national capital has sought to survive by decreasing costs through increasingly flexible working arrangements and renewed calls for protection, often with little success (Cox 1987, 321).

Beyond the working class and national capital, the marginalised section of the historic bloc is constituted by those excluded from meaningful economic activity altogether. This includes the unemployed, who numbered 205 million in 2010, and whose numbers surged by over 27 million as the result of the Global Financial Crisis of 2008, as well as those in ‘vulnerable’ employment, whose number the International Labour Organisation estimated at 1.53 billion in 2009, which represents 50.1 per cent of the global workforce (ILO 2011). The unemployed – when afforded state protection – are ostracised as a burden, and live under a constant threat of losing their protection, especially in the event of an economic downturn, when the country’s welfare functions become unaffordable and a drag on its competitiveness in the global economy (Hall 2003). Those in vulnerable employment comprise a growing number of ‘informals:’
people employed in the ‘black economy’ in irregular jobs without protections, benefits or long-term prospects of social mobility (Cox 1987, 324). The informal sector is particularly salient in the periphery, where it often represents the majority of the working population. These ‘informals’ usually live in a precarious state of existence in sprawling urban slums or rural backwaters experiencing violence, poverty and political exclusion (Cox 1987, 389).

The failure to integrate this large global mass represents a serious tension within the neoliberal order, as does the unwillingness of sections within its leadership class – especially transnational finance capital – to move beyond its narrow ‘economic–corporate’ mindset and accommodate a wide range of interests into the neoliberal historic bloc. As early as 1986, Susan Strange was warning that the global financial system represented a ‘global casino’ where short-term considerations of profit trumped all else; facilitating volatility, uncertainty and speculation (Strange 1986). The Global Financial Crisis of 2008 only reaffirmed these concerns, while the subsequent bailouts and resistance to greater regulation highlighted the extent to which finance capital is unwilling to make concessions in the name of leadership. Indeed, it seems that the current order is characterised by social protection and socialisation of risk for the strong, and market discipline for everyone else (Gill 1995a, 401).

*The Contingent Hegemony of the Neoliberal World Order*

Despite these tensions, however, the neoliberal project remains largely unchallenged in any mass sense, at least in the core. Undoubtedly, the neoliberal commodification of social life has sparked resistance, not only from those excluded from its structures, but also from sections of the contented class worried about the effects of consumerism on the environment and society. In the instances where these two groups have been able to forge links – most visibly in the mass protests against the WTO in Seattle in 1999 – the
‘common sense’ of the neoliberal world order has come under challenge. Importantly, these groups challenge the neoliberal project on its own terms. They utilise technological developments like the internet to construct transnational networks of resistance on a scale previously impossible and, as a basis for a counter-hegemonic war of position, challenge the meanings assigned to the notions of equality and freedom (Richardson 2001, 144). The political and ideological project of the neoliberal social forces thus remains contested, as the global village itself becomes the site of struggle, opening up possibilities for radical counter-hegemonic alternatives.

Yet any serious discontent with the social costs of neoliberal restructuring in the core has so far been largely neutralised through the adoption of variants of the Third Way approach. Protesters against the neoliberal world are successfully marginalised as a ‘Noah’s ark of flat-earth advocates, protectionist trade unions and yuppies looking for their 1960s fix’ (Freidman 1999). While the resulting consent is undeniably more tenuous than during the Pax Americana era, there is no significant alternative challenging the neoliberal world order. Its resilience can perhaps be best exemplified by the 2008 Global Financial Crisis, which clearly exposed the fallacy of ‘light-touch regulation’ and the dangers of unconstrained capital flows, not to mention the greedy, possessive individualism underpinning the neoliberal project. Yet despite the resultant economic crisis, unemployment and social discontent, there is little hint of a Polanyian ‘double-movement’ to re-embed market forces in societal norms. If anything, the crisis has sparked a renewed neoliberal offensive, as ballooning budget deficits acquired bailing out transnational capital are now used as a pretext for further assault on the remnants of the welfare state.

This offensive is coupled with a xenophobic and nationalistic right-wing backlash against immigrants and minorities, which may sit uneasily with the neoliberal cosmopolitan social vision of a global village, but nevertheless works to drive the
neoliberal assault, much as it did in the 1980s. Thus the fact that the greatest crisis of
global capitalism since the Great Depression has not facilitated a fundamental challenge
to neoliberal orthodoxy highlights the degree to which this orthodoxy has become
ingrained within the ‘common sense’ of societies in the core, stymieing any counter-
hegemonic war of position.

This situation is different in the periphery however. As Cox pointed out, 
hegemony is always more tenuous and fraught with contradictions in the periphery, and
this is certainly the case with neoliberal hegemony. As I indicated earlier, the consent
for neoliberal restructuring was always more fragile in the periphery, contingent on an
improvement in the socio-economic conditions of the majority. The restructuring was
also more clearly seen as an outside imposition by the institutions of the world order,
and thus not accepted so readily as being the natural working of market forces. While
restructuring initially succeeded in stabilising economies, its social costs soon became
increasingly difficult to bear. As millions slid into poverty, inequality increased and
growth stagnated, and the neoliberal common sense became increasingly vulnerable.
Even at the level of world order, some of the more prescient elites began to realise the
need for a different approach to address the stark poverty and inequality that
neoliberalism brought, in order to preserve the commitment to an open global economy.
From the late 1990s, calls emerged for a ‘post-Washington Consensus’ that would bring
about ‘globalisation with a human face’ and salvage the neoliberal project (Stiglitz
2002; Kuczynski & Williamson 2003; Schwab & Smadja 1996; UNDP 1999). These
calls represented the beginning of a passive revolution in response to the growing
organic crisis in the periphery that threatened to unravel consent for the neoliberal
project across the globe.

However, as with any organic crisis, the door was opened for the possibility of a
counter-hegemony which would construct a radically different order. This struggle
between passive revolution and counter-hegemony is perhaps most evident in Latin America, where neoliberalism’s organic crisis has been most acute – exemplified by a series of riots, protests, insurrections and toppling of governments. Since the late 1990s, a ‘Pink Tide’ of leftist governments has been elected throughout the region – with Venezuela and Brazil at its forefront – on the promise to do away with ‘savage neoliberalism’ and construct a more just and democratic alternative. In order to understand the particular nature of this struggle, it is necessary to first explore the context within which it emerged. Thus, in the next chapter I detail the transfer of the neoliberal project to Latin America during the 1980s and 1990s, and explore the shortcomings that spurred this struggle for alternatives.
Chapter 4: Neoliberalism and the Organic Crisis in Latin America

In the previous chapter, I utilised the Gramscian framework to examine the current neoliberal world order. In doing so, I indicated that while this neoliberal world order managed to attain hegemony in the core, this hegemony wore thinner the closer it advanced to the periphery. This is particularly the case in Latin America, where some of the most forceful and far-reaching resistance to the neoliberal project has emerged in the form of the so-called ‘Pink Tide.’ Before examining this Pink Tide phenomenon, it is first necessary to understand its origins, both in the recent and historical contexts. The aim of this chapter, consequently, is to situate Latin America more broadly within the framework of the neoliberal world order that I outlined in the previous chapter, in order to examine the way in which the neoliberal project sparked such resistance.

In doing so, I follow a structure similar to the previous chapter. Firstly, I outline the main characteristics of the historic bloc developed in Latin America in the context of the Pax Americana framework based on import substituting industrialisation (ISI), which finally exploded during the 1982 Debt Crisis, setting the scene for the arrival of neoliberalism in the region. In part two, I explore the specific processes which saw the neoliberal project imported into Latin America, via a combination of structural pressure from transnational capital and international financial institutions (IFIs) like the IMF and the World Bank, and an ideological project which sought to win consent for neoliberal restructuring. I argue that given the context of the organic crisis of the social order, this project was able to attain a degree of consent for neoliberalism, which was nevertheless contingent on being able to fulfil its promises of prosperity and development. In part three, I contend that by the late 1990s, these promises remained
unfulfilled, and that the increasingly obvious shortcomings of the neoliberal project led to its unravelling, as a wave of protests, social unrest and uprisings swept the region. These events, I suggest, signalled a reigniting of the organic crisis of the ISI bloc, this time framed in terms of the failures of neoliberalism to resolve its problems. In part four of the chapter, I briefly explore the two types of responses that have emerged out of this crisis – the potentially counter-hegemonic backlash that emerged from below and swept the Pink Tide governments into power, and the attempt to resolve the crisis via a ‘neostructuralist’ passive revolution promoted by the Economic Commission for Latin America and the Caribbean (ECLAC). These two responses, I contend, represent the two competing forces in the regional war of position over the future of the Latin American order, with Venezuela under Chávez, and Brazil under Lula and Rousseff, their most prominent expressions. A more detailed examination of the Venezuelan and Brazilian projects is carried out in the following chapters.

*Latin America in the Pax Americana World Order: the ISI Historic Bloc*

In the previous chapter, I outlined how the *Pax Americana* historic bloc was transferred to the periphery following World War II, resulting in social orders based on the developmentalist state and on an ideological project of nationalism. This saw the increasing prominence of certain social forces, particularly the urban bourgeoisie and an industrial proletariat, which had been challenging the power of the landed oligarchy since the 1920s (Cardoso & Faletto 1979, 74-6). The Great Depression of the 1930s only accelerated this process, inflicting a great economic crisis upon Latin America, with unemployment and poverty triggering widespread social unrest. It was in this context that technocratic state officials and the urban bourgeoisie came together across the region to try to stabilise and develop their countries. These efforts developed historic blocs that sought to generate capitalist development through a strategy of
import-substituting industrialisation (ISI), which aimed to shift the region away from a reliance on exports of primary commodities towards industrialisation and the development of a domestic market. These ISI historic blocs fitted within the broad framework of the *Pax Americana* order, but also reflected the local context.

As in the core, the ISI blocs were characterised by a much more prominent role for the state in the economy. However, given the region’s underdevelopment, this role was much more active and direct, as in many cases there was little capitalist infrastructure or domestic industry to speak of. The state encouraged the development of such an industry by erecting import tariffs and quotas to protect it against foreign competition. Behind these tariff walls, an overvalued currency made the imported machinery and inputs necessary for industrialisation cheaper, while also encouraging production for the domestic market by making exports uncompetitive. The state also supported the growth of national industry by providing the necessary infrastructure — from roads to central banks — and nationalising or creating ‘strategic’ industries, like oil, steel or iron production, to ensure a steady and secure supply of inputs into the industrialisation process (Green 2003, 23). It also lowered labour costs by imposing price controls or by subsidising basic necessities like food and fuel, and more significantly, it ensured a passive labour force through Fordist arrangements which combined corporatism with rights and benefits (Robinson 2008, 102). In this way, the working class was incorporated into the dominant social order through franchise and welfare benefits such as social security, unemployment insurance, health care and public education; and given considerable bargaining power through organised labour structures. At the same time, these structures were tightly controlled by the state in order to preclude autonomous organisation and moderate activism. The most prominent examples of this process occurred in the largest countries of the region, with Mexico under the Institutional Revolutionary Party (*Partido Revolucionario Institucional*, PRI),
Argentina under the Peronist Party and Brazil under Getúlio Vargas and his *Estado Novo* (new state), but there were similar projects throughout the region.

This arrangement mirrored the Keynesian state in the core, in that it brought the state, capital and labour together in a tripartite compromise. While capital – especially foreign capital – resented the increased taxes and rents levied to fund the activities of the ISI state, the considerable profits to be made in domestic markets protected from outside competition, and the benefits of a controlled labour force, usually tempered this resentment. Likewise, whilst there were tensions within the corporatist structures over the degree of control over the labour movement, the newfound prosperity and the resulting consumerism enjoyed by much of the working class also made it a strong source of support for the historic bloc. Support too came from a growing professional middle class, which also found increased possibilities for social mobility and consumption in the industrialising economy. The ISI historic bloc, therefore, managed to successfully bring together the main ascending social forces under the leadership of the state, with the implication being that increasing industrialisation would propel the urban bourgeoisie into the position of a ‘hegemonic class.’

These assumptions fitted broadly into the *Pax Americana* project for the periphery, where capitalist development was seen as a bulwark against communism (Augelli & Murphy 1988, 83). Influenced by modernisation theory, the U.S. believed such development would create an entrepreneurial middle class which would foster liberal democratic societies in the periphery that would be open to the global economy and accepting of American hegemony (for modernisation theory see: Silvert 1961; Rostow 1960; Black 1966; Lipset 1967).

The U.S. took an especially direct role when promoting this project in Latin America, fearful of communist infiltration in what it considered its own ‘backyard.’ While it expressed reservations about the extent of the state intervention in the
economy, it also understood that such intervention was necessary given the region’s lack of capitalist development. Accordingly, the U.S. supported ISI in its attempts to restructure societies across the region, most prominently through President Kennedy’s ‘Alliance for Progress,’ which promised aid to the region in return for land, tax and education reforms. The aim of these reforms was to encourage development of a middle class at the expense of the old landed oligarchy, while lifting the rural and urban masses out of poverty so that they did not become seduced by the false promises of communism. Ultimately, the U.S. sought to remake societies in the region in its own image, so that they could be ‘an example to all the world that liberty and progress walk hand in hand’ (Kennedy 1961, 474).

This American vision, however, was not accepted uncritically. In particular, it was met with a response from indigenous intellectuals in the form of ‘dependency theory,’ which argued that Latin America’s problems were the result of its subordinate position in the global capitalist system – a system that left it underdeveloped and reliant on commodity exports while experiencing declining terms of trade (see: Sunkel & Paz 1970; Cardoso & Faletto 1979; Frank 1967; Furtado 1976). From this perspective, there was a need for countries in the region to attain a degree of independence from the global economy and to focus on industrialisation and the domestic market, which would subsequently allow them to compete with the nations of the core on a more equal footing.

Reflecting the process of negotiation and contestation involved in the construction of hegemony, it was dependency theory rather than modernisation theory that underpinned the ideological project of the ISI bloc. Building on the notion that Latin America needed to gain greater autonomy from global capitalism in order to achieve development, the ideological project of ISI was much more openly antagonistic to the Pax Americana social vision based on an open international economy and
American hegemony. Populist leaders like Argentina’s Juan Perón, Brazil’s Getúlio Vargas or Mexico’s Lázaro Cárdenas attacked the penetration of their countries by foreign – especially American – capital, arguing that it left them impoverished and underdeveloped. Instead, they represented the ISI project, not as a means to remake the region in America’s own image, but rather as enabling a ‘second independence’ from foreign forces, this time in economic terms. In doing so, they tapped into a long-held belief in the region, elaborated most famously by the Cuban poet and nationalist José Martí, that ‘a people economically enslaved but politically free will end up losing all freedom’ (cited in: Munck 2008, 31).

In a symbolic gesture reflective of the mood across the region, Perón – having just nationalised British-owned railroads and ports, and American-owned electricity companies – issued a ‘Declaration of Economic Independence’ on 9 July 1947, the anniversary of the country’s declaration of independence from Spain. It proclaimed that ‘in 1810 we were liberated politically, today we long for economic independence’ (cited in: Howkins 2010, 253). By making the region less reliant on commodity exports and more able to stand up to foreign capital, the ISI bloc was thus represented as a nation-building project, uniting the nation above class cleavages in a nationalist coalition to secure not only prosperity, but also greater self-determination after centuries of foreign domination.

This message of nation-building and unity was directed especially at the subordinate and marginalised classes, whose integration into the social order acknowledged them – in most cases for the first time – as rightful citizens of the nation. In Argentina, as elsewhere, the descamisados, or ‘the shirtless ones,’ were hailed as the lifeblood of the nation, in need of nurture and protection by the state. These ideas became deeply embedded in the popular ‘common sense,’ with populist leaders like Brazil’s Vargas, revered as ‘the father of the poor’ decades after his death. At the same
time, this exaltation of the subordinate classes was coupled with vehement anti-communism, in order to ensure that their mobilisation did not result in radicalisation. Communist parties were often banned, and communism itself was presented as yet another foreign imposition, and a threat to the unity and Christian values of the nation. Instead, populists argued that the ISI bloc represented a middle course between capitalism and socialism; it was a project unique to the region, reflecting its heritage as the site of revolutionary struggles for social justice and democracy. This anti-communist stance was usually enough to satisfy the U.S. that despite the rhetoric, the populist leaders were not a fundamental threat to American interests.

As a consequence, this ISI bloc and its ideological project achieved a degree of hegemony throughout Latin America. Its economic success – regional GDP grew annually at a record rate of 5.3 per cent between 1945 and 1973 – not only lifted living standards, wages and incomes, but also transformed and developed the region. The manufacturing sector grew at over 6 per cent a year and accounted for over a quarter of regional GDP by 1973, reducing dependence on commodity exports (Thorp 1998, 159). By the end of the 1960s, the World Bank had classified all countries in Latin America except Haiti as ‘middle-income.’ Life expectancy and school enrolments grew rapidly, while infant mortality and illiteracy were falling. The population – almost 60 per cent urban by this time – increasingly enjoyed consumerist lifestyles reminiscent of those in the core (Bulmer-Thomas 1994, 310-1). Thus, ISI seemed to be fulfilling its promises of development and progress. More importantly, it was including all the major social forces in society in this process, uniting them behind the common goal of state-led development. It was a nation-building strategy, and was recognised as such.

This development project was experienced in different ways through the region. While Mexico, Brazil, Chile, Colombia, Uruguay and Argentina were the most successful industrialisers; the Andean countries and Central America largely remained
committed to primary exports, and the old landed elite continued to dominate the social order. Nevertheless, the appeal of state-led development combined with nationalism was undoubted. In Central America, the landed elite saw value in developing a small domestic industry, if only to supplement their export orientation (Cardoso & Faletto 1979, 100). In most of the Andean countries, ‘revolutionary’ governments which attempted to construct ISI blocs – for example the military regime that took power in Peru under General Velasco in 1968 – alternated with reactionary regimes dominated by the old elites which attempted to dismantle them. In Venezuela, a reliance on oil exports was coupled with a strong role for the state in developing a domestic industry and fashioning an inclusive social order. Accordingly, during the 1950s and 60s, the notion that the state should play a leading role in developing the country and bringing all social classes together under nationalist banners was increasingly – though not universally – accepted as ‘common sense’ throughout Latin America (Bulmer-Thomas 1994, 296-7).

The Tensions in the ISI Bloc and the Descent into Organic Crisis

As indicated, however, there were many tensions and contradictions at the heart of the ISI historic bloc. Indeed, it faced serious economic, political and ideological problems which ultimately led to its unravelling and paved the way for neoliberalism. At its core, the problem with the ISI bloc was that it did not represent a complete break with the old social order. Rather, it entailed what Gramsci referred to as a ‘passive revolution,’ which meant that much of the old social order, and its associated problems, remained in place. Most importantly, there was a failure to carry out serious land reform. Latifundios – the large, unproductive land holdings belonging to the old elite – continued to dominate agriculture. These holding constituted only 5 per cent of farm units but took up four-fifths of the land in the region in 1960 (Thorp 1998, 154). The rural masses,
therefore, continued to face poverty and lack of opportunity, which in turn prompted mass migration to the cities in search of work.

Dynamic as it was, ISI could not create enough jobs to incorporate these new arrivals. A two-tiered workforce was created, comprised of a small ‘labour aristocracy’ employed in the modern industrial sector and a growing urban mass in precarious and irregular employment (Cardoso & Faletto 1979, 128; Thorp 1998, 172-4). Without a more extensive redistribution of wealth, the prosperity and high living standards of the former depended on the continuing exploitation of the latter. In effect, ISI had created a new subordinate stratum (Hershberg & Rosen 2006, 5-6). Consequently, despite impressive rates of growth, income inequality – already amongst the highest in the world – did not improve significantly, especially with a growing population. This created tensions and demands for a fairer distribution of income, which could not be met without a further transformation of the social order.

Beyond these economic problems, the ‘passive revolution’ also had deeper political and ideological consequences. Despite being sidelined from the leadership position in the historic bloc, the landed oligarchy remained a powerful force which resisted and sabotaged the industrial process. Moreover, the ISI state did not represent a complete break with the old authoritarian and elite political culture. While populist leaders reached out directly to the people, they did so through top-down instruments of patronage intended to keep them in power. The relationship between the state and the masses was thus a paternalistic one, intended primarily to preclude the formation of a more radical challenge from below. As such, there was little space for autonomous organisation, whether for those included in the social order seeking new concessions, or for those marginalised seeking inclusion (Hershberg & Rosen 2006, 5). Any such demands were resisted and repressed, putting in question the state’s claim to represent the will of the people. These political realities clashed with an ideological project
predicated on the affirmation of the citizenship of the masses and centred on promises of greater self-determination. As these promises began to fall short, the subordinate classes began to mistrust and reject them. This reflected the central tension within an ISI ideology that on the one hand aimed to preserve the status quo, while on the other mobilised the working class with promises of democratic self-determination.

ISI failed, moreover, to break the region’s dependence on foreign capital. A shortage of domestic investment meant that countries in the region remained dependent on multinational corporations (MNCs) to bring in the necessary capital and technology to develop domestic markets (Cardoso & Faletto 1979, 154-9). This led to tensions with MNCs and their home governments over levels of taxation and demands that they diffuse capital and technology to the domestic market. Instead, foreign capital usually snapped up the most profitable domestic enterprises and fought to minimise its taxable liabilities. This forced Latin American states to borrow externally, creating balance of payments deficits and inflation, which in turn brought the region to the attention of the IMF. However, unlike Western countries, Latin Americans found the IMF less willing to uphold the principle of ‘embedded liberalism.’ Its demands for spending cuts and promotion of exports in return for loans undermined the very nature of the ISI project, leading to further tensions (Thorp 1998, 169-72).

These economic, political and ideological tensions increasingly combined to push the ISI blocs into organic crisis from the mid-1960s onwards, manifested in economic upheavals, political crises and mass mobilisation. In some cases, like Chile in the early 1970s, this mobilisation actually had radical potential, as the Popular Unity coalition headed by Salvador Allende achieved power and sought to implement socialism through democratic means. Likewise, in countries such as Uruguay and Colombia, Marxist-inspired guerrilla movements sprang up, seeking to overthrow their governments and instil socialism through force. In most cases, however, the demands
did not go this far. In countries that had adopted ISI, the masses largely failed to
develop a radical consciousness and their demands, in the face of economic crisis, were
mainly aimed at preserving the gains that had been made. In countries that had not
successfully constructed ISI blocs, the demands were usually about constructing such a
bloc. Nevertheless, following the Cuban Revolution in 1959, the dominant classes – and
the U.S. – viewed any mass mobilisation with suspicion, fearing a communist
revolution. Consequently, in the face of growing unrest throughout the continent, the
military often stepped in and took power. Indeed, by the mid-1970s, every country in
the region except for Venezuela, Colombia and Costa Rica was under authoritarian or
military rule (Wiarda & Kline 2007, 28).

The Caesarist Era and Neoliberalism

The military take-overs throughout the region represented the failure of the hegemonic
project of ISI. Ultimately the bourgeoisie failed to become an ‘hegemonic class’ that
could move beyond its own narrow ‘economic-corporative’ mindset and offer the kind
of leadership that would ensure a lasting hegemony. As a consequence, the military
played what Gramsci would recognise as a ‘Caesarist’ role: a third force intervening in a
conflict where neither of two major opposing forces – the subordinate classes and the
bourgeoisie – was strong enough to overcome the other (Gramsci 1971, 219-23). From
this position, military regimes attempted to resolve the problems which led to the crisis
in the first place – problems invariably regarded as resulting from an excess of
‘populism,’ which had politicised and radicalised society, leading to a threat of a
‘socialist’ takeover. Accordingly, the military regimes announced that they would
cleanse their societies of the ‘cancers’ of populism and socialism, and make their
countries ‘safe for capitalism’ (Munck 2008, 36).
Their methods in doing this varied. One of the first regimes to take power, in Brazil in 1964, kept much of the industrialising focus intact, but opened the country further to foreign capital while moving aggressively towards exporting manufactures. There was, however, harsh repression of the subordinate classes, which saw the lowering of the costs of labour and which effectively eliminated any challenges to the social hierarchy. Those countries which had not fully adopted ISI simply reverted to traditional elite rule with the military explicitly protecting the landed oligarchy and foreign capital. Neither of these ‘solutions’ proposed a lasting resolution to the underlying problems throughout Latin America, merely repressing them through the use of fear and violence.

Some states, nevertheless, went beyond simple repression. In particular, the regime of General Pinochet in Chile which, in 1973, overthrew the government of Salvador Allende, pursued a far more ambitious agenda. Not content with the routine monetarist prescriptions of the IMF, Pinochet engaged a group of young Chilean economists trained by Milton Friedman at the University of Chicago to transform the country by unleashing market forces. In Chile essentially became the petri dish for neoliberalism, as the regime set out to radically curtail the state’s role in the economy and reorient its focus towards integration with the global economy. Thus, tariffs were reduced and trade and finance liberalised, flooding the country with cheap imports and destroying local industry. Subsequently, the country returned to a reliance on primary exports as the basis for economic development, while foreign capital flowed in.

The Chilean state withdrew from the economy by privatising state assets, eliminating subsidies and price controls, drastically reducing spending, deregulating

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6 A similar process also took place in Argentina following the 1976 military coup, and to a lesser extent in Uruguay following the 1973 coup there. In both cases, the military engaged the emerging neoliberal forces in the reconstruction of their countries. However, in neither of these countries was the project as coherent or ambitious as in Chile, and neither managed to stay in power as long as the Pinochet regime in order to enable the neoliberal consensus to become ingrained into society’s ‘common sense.’
labour and investment, and extending market logics to all aspects of the social life, so that even the social security system was privatised. These reforms foreshadowed neoliberal attempts to reconstruct societies around the world in response to the 'crisis' of Keynesianism. Likewise, the Pinochet regime's ideological justification for its policies was a harbinger of the ideological project the neoliberal forces would propagate to bring the Keynesian state down. The junta thus argued that it was curing Chile of the creeping spread of 'statism,' which had allowed a 'Marxist' like Allende to come to power and lead the country down a path of totalitarianism, just as Hayek had warned it would (Munck 2008, 38). In its Declaration of Principles issued in 1974, the regime proclaimed that its aim was to create a de-politicised society, built on the foundations of the freedom of the individual in the market, which would in time lead to a safe type of democracy that would never again, 'in the name of misunderstood pluralism...support a doctrine or morality whose objective is the construction of a totalitarian state' (cited in: Sigmund 2007, 177).

Chile thus became the first country in the region to adopt what would come to be known as neoliberalism. However, its experience did not reflect the process as it took place elsewhere. Chile's neoliberal revolution was imposed through repression and violence, with over 3,000 people were killed and more than 28,000 suffering torture at the hands of the military (Sigmund 2007, 177). Trade unions, political parties and all forms of popular organisation were banned, dissent repressed and society controlled by terror. While this managed to instil a resigned acquiescence to the 'reality' of market forces through collective trauma, it did not represent a viable model that could be replicated elsewhere.

Instead, as I argued in the previous chapter, neoliberal restructuring around the world was carried out as a result of structural pressure from transnational capital and the institutions of the neoliberal world order, buttressed by an ideological project that
sought to elicit consent for such restructuring. Latin America was no exception. Indeed, this strategy was first pioneered in the region in response to the 1982 Debt Crisis, which finally unravelled the ISI bloc, as its tensions could no longer be suppressed. In the resulting organic crisis, various social forces competed to reconstruct Latin American social orders, with the neoliberals coming out on top following a prolonged war of position for most of the decade. In this process, the contours of a neoliberal historic bloc were drawn up.

*The End of the ISI Bloc and the Neoliberal War of Position*

The Debt Crisis of 1982 was itself the result of the failure of the military regimes to resolve the tensions and contradictions of the ISI historic bloc over the previous two decades. Faced with demands for a more inclusive and democratic social order, the regimes borrowed heavily during the 1970s — usually from American investment banks — to pursue expansionist projects in the hope of papering over the cracks of their ISI blocs. Even those, like Chile, which sought to construct radically new historic blocs, acquired debt in the process. Ultimately, however, they failed to resolve the underlying tensions. Instead, the regimes saddled their countries with foreign debt which rose from $20.8 billion in 1970 to $314.4 billion in 1982 (Bulmer-Thomas 1994, 363). As the U.S. turned to monetarism in the late 1970s, the high interest rates and appreciating dollar meant that Latin America’s interest payments increased by 360 per cent between 1978 and 1984, and its overall debt increased by 250 per cent during this period (Roddick 1988, 37). Coupled with a global recession, this debt burden was increasingly untenable.

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7 Chile’s opening to the global economy resulted in a boom of imports and a flurry of financial speculation, both paid for with easy credit. Once private firms found themselves unable to repay the loans, the state was forced to guarantee them, in effect making private debts public.
This issue finally came to head in August 1982, when Mexico announced a unilateral moratorium on its debt repayments, triggering capital flight and a freeze on new loans across the entire region. The Debt Crisis sparked an economic crisis across the continent not seen since the Great Depression. Between 1981 and 1983, regional per capita GDP fell by 8 per cent, and domestic investment declined by $76 billion. Consumption decreased dramatically as imports were nearly halved in volume in an attempt to redirect resources to debt servicing. In such a climate, real wages fell 17 per cent, inflation increased from 57 per cent in 1981 to 131 per cent in 1983, unemployment rose from 6.7 per cent in 1980 to 10.1 per cent in 1985, and the percentage of households living in poverty increased from 35 to 37 (Thorp 1998, 218-21; Green 2003, 77). The economic crisis not only drove the military regimes from power – as their inability to fashion a stable social order was finally exposed – but also crucially spelled the end of the ISI historic bloc, which could no longer withstand its own underlying tensions.

In the resulting organic crisis, various forces struggled to construct a new order. While neoliberal social forces were already in ascendancy throughout the world, they were not immediately victorious in Latin America. Instead, the governments that initially took over from the military regimes represented a wide array of social forces, whose main focus was democratisation and social justice. These goals were seen as incompatible with free markets; indeed the monetarism and austerity at the heart of the neoliberal consensus was identified with the military regimes and the poverty and inequality that they left behind (Panizza 2009, 19; Przeworski 1991). Consequently, post-military governments in Latin America resisted demands for neoliberal reforms. Most had little choice but to accept IMF agreements in order to prevent bankruptcy, and

8 In Central America, these struggles were quite literal. The region was haunted by a decade of civil wars, insurgencies, massacres and terror, as the opposing forces struggled to impose their projects not through consensual but coercive means.
between 1982 and 1983, 17 of them did so (Green 2003, 46). However, they often baulked at implementing the IMF conditions in full, which involved spending cuts and promoting exports in order to obtain the foreign exchange necessary to service debts. Some countries even sought to implement heterodox projects, which attempted to combat inflation through price controls, and rejected austerity in favour of more expansive economic policies. These projects – for example Brazil’s Plano Cruzado, Argentina’s Plan Austral or Peru’s Inti plan – rejected the growing neoliberal consensus by assigning the state a considerable role in the economy. They also challenged the power of finance capital by attempting to unilaterally renegotiate their debts: for example, Peru’s President Alan Garcia announced in 1985 that he would limit debt repayments to 10 per cent of foreign exchange earnings. Two years later, Brazil declared a moratorium on its interest payments (Branford & Kucinski 1988, 115-22). In a world where transnational capital was becoming ascendant, these projects bucked the trend.

In response, the neoliberal world order imposed considerable structural pressure upon Latin America in order to scuttle any heterodox projects and, in the process, to impose neoliberal restructuring. Failure to strictly adhere to IMF conditionalities effectively resulted in a capital strike. Capital flows to the region, which had averaged $13 billion a year between 1979 and 1981, turned negative in 1982 and remained so for the rest of the decade (Bulmer-Thomas 1994, 373). This left Latin Americans struggling to service their debts, especially as the possibility of restructuring or default was limited. Any countries that did so were labelled as pariahs and cut off from all sources of funding.

Consequently, when Peru announced it was to limit its debt repayments, the might of the neoliberal world order came down upon it. The U.S. effectively downgraded Peru’s credit rating by declaring its loans to American banks as ‘value-
impaired,' which wrecked its chances of acquiring loans elsewhere. Likewise, the IMF and the World Bank declared Peru ineligible for new loans, which acted as a barrier to any private or government lending to the country (Roddick 1988, 173-7). Ostracised, Peru became a pariah even in Latin America, where no other countries joined its call to form a debtor's cartel and renegotiate the debt together.

Indeed, neoliberal forces played a crucial role in preventing such a cartel from developing. The U.S. and the IFIs refused calls for collective debt renegotiations by insisting that each country was different and thus had to be dealt with on a 'case-by-case' basis. Furthermore, states were played off against each other, offered more favourable deals if they adhered to neoliberal conditionalities. Thus in 1984, Mexico was rewarded with a rescheduling of its debt over 14 years and at a lower interest rate in return for further neoliberal restructuring (Branford & Kucinski 1988, 118-9).

These external pressures were combined with internal ones as domestic capital refused to invest in its own economies. Annual investment throughout Latin America did not rise above $180 billion between 1984 and 1987, compared to $220 billion in 1981 (Green 2003, 83). This lack of investment, coupled with the recessionary monetarist measures demanded by the IMF, meant that the growth necessary to service debts failed to materialise. In 1987, regional per capita GDP was 6.5 per cent below its 1980 level (Handelman & Baer 1989, 2). In order to keep up with repayments, governments were either forced to print money – which fuelled inflation – or raise interest rates to extortionate levels to try and entice capital – which led to further debt (Bulmer-Thomas 1994, 391). As a result, regional inflation peaked at 1206 per cent in 1989, and the region's debt actually increased from $288 billion in 1981 to $423 billion in 1989 (Green 2003, 77).

These structural pressures had the effect of exacerbating the original economic crisis of 1982. Consequently, the 1980s became known as Latin America's 'lost
decade,' as hyperinflation and lack of growth wreaked havoc with the region's societies. During the decade, 64 million people joined the ranks of the poor, swelling their overall number to 200 million, 41 per cent of all households. By the end of the 1980s, chronic hunger was killing 40,000 people a day and 55 million were undernourished, while mortality due to chronic, non-infectious diseases doubled (Green 2003, 85-6; Thorp 1998, 221). Wages declined drastically across the region: the real minimum wage in 1990 was only 68.9 per cent of its level in 1980. At the same time, unemployment increased from 6.7 per cent in 1980 to 8 per cent in 1990, and the proportion of the workforce employed in the urban informal sector increased from 40.2 per cent to 51.6 per cent (Thorp 1998, 221).

Thus by the end of the 'lost decade,' Latin America had little leverage with which to resist the demands for reform that came from the neoliberal world order. Demands that came in the form of structural adjustment policies by the IMF and the World Bank in return for new loans to prevent defaults. The resulting Structural Adjustment Packages (SAPs) were intended to impose the American model of the competition state on Latin America. In doing so, the SAPs went much further than the traditional IMF requirements for spending cuts and export promotion. In short, they sought to transform the state-dominated economies in the region into outward oriented 'market economies.'

This entailed scaling back state intervention by deregulating the labour market, rationalising the state apparatus and privatising state assets. Moreover, the SAPs insisted that Latin Americans set their economies on a path of 'export-led growth' by liberalising trade, reducing tariffs, eliminating quotas and privileging exports. Rather than focus on production for the domestic market, countries in the region were required to integrate with the global economy on the back of their comparative advantages. This required eliminating subsidies, spending cuts, wage controls, high interest rates and
balanced budgets, all in order to ‘win the confidence of the markets.’ Starved of funds, mired in recession and hyperinflation, and facing social discontent, Latin American countries had little choice but to accept these demands. By the start of the 1990s, every country in the region except Cuba was implementing neoliberal reforms under direct or indirect pressure from neoliberal forces, and this time there was much less room for evasion.

The Ideological Project: The Washington Consensus and Latin America

In short, and like elsewhere in the periphery, neoliberal reforms in Latin America were effectively imposed from above. However, as indicated earlier, the construction of the neoliberal world order was not carried out solely through coercive means. It was also accompanied by an ideological struggle to attain consent for neoliberal restructuring. In order to achieve these ideological aims, neoliberal forces proffered a particular worldview amongst policymaking elites based on a preference for the market over the state in economic development. This worldview – which came to be known as the ‘Washington Consensus’ (WC) – held that state intervention in the economy was by definition inefficient and inflationary as it distorted market signals. Accordingly, macroeconomic stability could only be achieved by allowing the market to ‘get the prices right,’ and long-term sustainable growth could only be attained through minimising the state’s role in the economy and allowing private enterprise to flourish.

Likewise, the WC denied the feasibility of ‘autonomous’ development in isolation from the global economy. By lifting protectionist barriers, it argued, capitalist sectors throughout Latin America would gain access to the capital and technology necessary to improve their productivity and efficiency, thus making them competitive on the global stage. This ‘free marketism’ would allow peripheral economies to utilise their comparative advantage to thrive in a new globalised age. (Williamson 1990).
Globalisation, therefore, would be ‘the great leveller,’ allowing the nations of the Third World to ‘catch up to the West.’

By the 1990s the WC ideology was largely hegemonic amongst policymaking elites around the world. And by then, many Latin American elites came to accept its basic tenets as ‘common sense,’ as they lost faith in the possibility of resolving the organic crisis through heterodox means. This saw the rise of the técnicos: economists and technocrats who had absorbed the neoliberal common sense while studying and working in Western, mostly American, universities and IFIs (Margheritis & Pereira 2007, 35-6). Returning home, they became their country’s own free market organic intellectuals, carrying out wars of position aimed at winning consent for neoliberal restructuring. This consent was sought through an ideological project which not only identified the causes of the region’s problems, but also proposed a simple and straightforward roadmap for the future.

*The Latin American Neoliberals: Organic Intellectualism and the Washington Consensus*

According to the técnicos, the source of Latin America’s problems lay in its longstanding traditions of ‘populism’ and ‘statism,’ entrenched in the ISI state. The Latin American neoliberals thus argued that the Debt Crisis, and the region’s underdevelopment in general, were not the result of its peripheral position in the global economy as the ISI leaders claimed (Soto 1989, xxv-xxvi). Rather, as the success of the Newly Industrialised Countries (NICs) in East Asia clearly demonstrated that development could be achieved through integration with the global economy and an embrace of capitalism (Korzeniewicz & Smith 2000, 20). The root of Latin America’s problems therefore, was not capitalism, but ignorance of the universal laws of economics, and an overreliance on the state, which stifled private enterprise. State
intervention in the economy did more harm than good, it was argued, because it was based on 'political' criteria rather than on a rational calculation of profit maximisation.

The neoliberals charged, moreover, that earlier populist governments in Latin America had been more interested in perpetuating their networks of patronage than with economic efficiency or improving the plight of their people. This drove them to irresponsible spending which in fact hurt the poor by fuelling inflation – which the neoliberals dubbed a 'tax on the poor' – and crippling the economy with debts, deficits and balance of payment imbalances, which cost jobs and retarded growth (Sachs 1989; Dornbusch & Edwards 1991). Isolating local industry from foreign competition only left it inefficient and uncompetitive, and therefore unable to create a sufficient number of jobs in a globalising world. ISI's overt reliance on the state also had the effect of dangerously expanding its power, to the extent that it interfered with almost every aspect of individual's lives, setting the region on an inevitable path towards dictatorship and authoritarianism. In this way, the Latin American neoliberals accused the ISI state of failing to deliver on its promises of development, prosperity and self-determination. Far from protecting the poor from the dangers of the market, they insisted, it was in fact an instrument for their political and economic oppression at the hands of political and economic elites (Panizza 2009, 27).

In this context, neoliberals presented the free market as the perfect antidote to the inefficiencies and excesses of the system in Latin America. Forcing businesses to survive in a competitive environment rather than rely on state handouts would break up the clientelistic networks of economic and political elites, and enable everyone to share in the country's wealth. This appeal was directed especially at the marginalised masses, and their longstanding grievances regarding their exclusion from the ISI bloc. In a seminal book, Peru's Hernando de Soto (1989) tapped into this resentment by accusing the region's elites of sustaining a 'mercantilist' system that sought only to monopolise
power and wealth amongst themselves. The true capitalists were the informal masses, Soto argued, struggling to get by in a system which constrained their entrepreneurial spirits. Dismantling the state and its instruments of exclusion would create a ‘democratic economy’ in which everyone could compete on an equal footing.

In such an economy, the masses could become the agents of their own destiny, no longer passive objects in need of assistance but rather autonomous individuals whose energy and drive would be central to prosperity and development of the nation. In this way, the neoliberals presented themselves as the true custodians of democracy. By breaking up the corrupt elite circles, dismantling the state and promoting individuals’ rights, neoliberalisation was creating the prerequisites for liberal democracy, long absent in the region (Drake 2006, 39). The diffusion of power to ‘civil society’ would also guard against a return to dictatorship by limiting the state’s ability to impose itself on its citizens. Neoliberals thus equated free markets with democracy, arguing that ‘no democratic regime has ever survived in the absence of a market economy’ (Domínguez 1998, 74). This was an especially powerful argument given the recent memory of the human rights abuses by dictators and military regimes in Latin America. Acceptance of neoliberal reforms was thus presented as a way to draw a line under the past and ensure that the atrocities of the military regimes would never again be repeated (Panizza 2009, 96).

The neoliberals in Latin America also made important promises to restore stability and predictability to everyday life, and to open new possibilities for consumption following years of shortages and substandard goods and services (Weyland 2003, 1099). In doing so, they tapped into the social trauma induced by a decade of hyperinflation, reassuring people that the removal of statist ‘distortions’ would stabilise the prices of everyday necessities and secure the value of wages and savings that had been eroded during the lost decade (Panizza 2009, 66). The success of
neoliberal reforms in taming hyperinflation in the late 1980s and early 1990s seemed to reaffirm this, and to hold out the prospect of a return to stability and normalcy in everyday life.

On the back of this stability, neoliberals promised an upsurge of growth, jobs and incomes, especially for unskilled workers (Korzeniewicz & Smith 2000, 17). This growing prosperity would allow people to enjoy consumerist lifestyles previously denied to them. The lifting of protectionist barriers would make foreign consumer goods cheap and abundant, and force local industry to compete in terms of price and quality (Green 2003, 135). Likewise, privatisation would bring better and cheaper services, as state monopolies would be broken up and consumers would be given more choice (Green 2003, 56). Ultimately, as the rising tide lifted all boats, everyone would be able to enjoy the kind of lifestyles previously reserved for the elites and the West.

Neoliberalism was therefore presented as a forward-looking program that would fulfil the long-standing demands for progress and prosperity in Latin America. Most importantly, it proposed to do so by depoliticising these demands: treating them as technical issues to be resolved by ‘scientific’ means, rather than as the object of bitter political struggles which spawned populism, class cleavages and authoritarianism (Colburn 2002, 2-3). Engaging the prevailing disdain for politics and politicking, neoliberals offered a vision of a ‘depoliticised’ society where the people’s energies could be channelled into a concern for social mobility and consumption, rather than for utopia and revolution (Baker 2009, 15). As Enrique Gherisi, one of de Soto’s collaborators argued, the time was right for this because people:

no longer want to listen to the tale of “social justice.” Young people even mock it. Those youngsters of a humble origin...represent a completely new class...a class that deep inside does not believe in anything, which is a kind of attitude that allows the development of individual responsibility and the confidence that only through their own efforts can progress...be created.
In this regard Latin American neoliberals held up the societies of the West, especially the U.S., as the model to emulate. Neoliberalisation, Mexico’s President Salinas promised, would take the country to ‘the First World,’ bringing closer integration with the U.S., and all the economic, social and political benefits that this entailed (Przeworski 1992, 55). This narrative tapped into deeply entrenched elite anxieties, now extended to the rest of the population, about belonging to the ‘West’ rather than to the ‘Third World.’ With the end of the Cold War highlighting the demise of Third Worldist perspectives of dependency, socialism and nationalism, it was time to admit that ‘the U.S. and capitalism have won,’ and reassert the region’s political, economic and cultural identification with the West (Castañeda 1993, 3). Hence, neoliberalism offered Latin America a chance to embrace a new, cosmopolitan future as part of the global village; a pathway to modernity and civilisational progress.

The ideological project of the Latin American organic intellectuals had some major omissions and problems for all its early success. Its diagnosis of the region’s problems offered a selective reading of the ‘lost decade’ which ignored the role that transnational capital played in precipitating it. This diagnosis also misrepresented the past by lumping together into the tradition of populism both the military regimes and the democratic governments that followed them. This overlooked the fact it had been the military regimes which ran up most of the debts – supporting capital while dishing out market austerity to the majority of the population – and the democratic governments who were left to deal with the consequences (Panizza 2009, 28). Likewise the military regimes’ reliance on the market and their mission to make the region ‘safe for capitalism’ were conveniently brushed over as not representing ‘true’ liberalism because ‘no dictatorship can be really economically liberal’ (Llosa 1989, xviii). Despite these
tensions, the Latin American neoliberal project resonated with the common sense of the time, which yearned for stability and was tired of failed heterodox attempts to resolve the organic crisis (Margheritis & Pereira 2007, 31). The desire to ‘do something’ – whatever it was – to restore stability trumped other concerns and contradictions.

The neoliberals tapped into this desire in order to construct a social base for the new neoliberal historic bloc. At its apex, the internationally-oriented fractions of domestic capital and foreign capital coalesced around charismatic ‘neopopulist’ politicians to form a new leadership class (Robinson 2008, 171). These neopopulist leaders, including Brazil’s Fernando Collor, Argentina’s Carlos Menem and Peru’s Alberto Fujimori, presented themselves as ‘can do’ men, ready to do whatever it took to resolve the country’s problems (Weyland 2003). They reached out directly to the informal masses – in Collor’s words ‘the shirtless ones’ – and promised to shake up the cosy elite cliques that had impoverished them and ruined the country. They also appealed to the middle class, whose living standards had declined during the lost decade of the 1980s and who feared that further loss would send them into the ranks of the impoverished.

The neoliberal historic bloc in Latin America was therefore constructed on similar terms as in the core: uniting internationally-oriented capital with a middle class anxious about declining consumption opportunities; and holding out the promise of social mobility and greater freedom to the subordinate classes. The stability and consumption promised by neoliberals held out the possibility that a significant number of upper and middle classes could experience the ‘culture of contentment’ similar to their counterparts in the core, as I outlined in Chapter 3. This ‘contented class’ would subsequently act as the bedrock of consent for the new social order. Undeniably the neoliberal bloc sidelined large sections of the population, notably much of the organised working class and national capital, which faced eradication in the newly liberalised
economies. Nevertheless, the desire for ‘change’ was such that Latin Americans were willing to give the neoliberal project a chance.

As a result, the restructuring was carried out with a certain degree of consent. Even in cases like Menem’s Argentina or Fujimori’s Peru, where both politicians campaigned on more or less explicit anti-neoliberal platforms there was no widespread resistance once they switched track in office, as long as the reforms worked to stabilise the country and create growth (Panizza 2009, 54). Indeed, both leaders proved to be immensely popular and easily won re-election. Where the project failed to achieve these immediate goals, however, u-turns were less tolerated. The most important example in this case was Venezuela, where the country’s president, Carlos Andrés Pérez, was impeached in 1993 following four years of ‘neoliberalism by surprise’ that failed to stabilise the country. Indeed, Pérez’s original u-turn in 1989 sparked the biggest resistance to neoliberal reforms in the region in the form of the Caracazo riots which resulted in at least 1,000 deaths. The failure to achieve even a modicum of stability in Venezuela meant that consent for neoliberalism was never achieved there. This experience, shared to various extents with Bolivia and Ecuador, generated a combustible environment in which the construction of more radical alternatives to neoliberalism became more likely (Hershberg & Rosen 2006, 8).

However, these experiences were the exception rather than the rule in the first half of the 1990s (Panizza 2009, 54). Restoring macroeconomic stability and taming hyperinflation helped to reduce the percentage of households living in poverty from 41 per cent to 39 per cent between 1990 and 1997 (Korzeniewicz & Smith 2000, 15). While income inequality remained stubbornly high, consumption possibilities increased substantially, with the rate of import growth in 1992 four times higher in Latin America than in the industrial nations (Panizza 2009, 69). Macroeconomic stability and neoliberal reforms also enticed capital to return, with net capital transfer turning
positive for the first time in nine years in 1991, and peaking at $32 billion in 1997 (Green 2003, 92). This influx allowed countries to restart economic growth, with the region’s per capita GDP growing at 1.5 per cent annually between 1991 and 2000 (Robinson 2008, 255). Moreover, Latin America’s share of world trade increased marginally, and exports of primary products relative to the total value of export goods decreased from 67 to 40 per cent between 1990 and 2003, suggesting that the region was succeeding in diversifying its exports (Robinson 2008, 257). While much remained to be achieved, Latin America seemed at last to be on the right path towards a more prosperous and democratic future. The pinnacle of the region’s embrace of neoliberalism came at the First Summit of the Americas in Miami in December 1994, where all of Latin America’s leaders, bar Fidel Castro, joined with the U.S. in proclaiming that ‘the Americas are united in pursuing prosperity through open markets, hemispheric integration and sustainable development’ (Summit of the Americas 1994).

The Shortcomings of the Neoliberal Historic Bloc and the Organic Crisis Redux

This hegemony was tenuous at best. As Robert Cox suggested, hegemony is more problematic in the periphery because it is constructed through a process of ‘passive revolution,’ representing only a partial transformation of the social order. The neoliberal passive revolution in Latin America was indeed problematic, resulting in a fragile order which left many problems unresolved, and there were numerous warnings of this in the 1990s. Eleven months prior to the Summit of the Americas, for example, the Zapatista Army of National Liberation in the state of Chiapas declared war on the Mexican state on the day that the neoliberal North American Free Trade Agreement (NAFTA) came into force. And just two weeks after the Summit, Mexico was forced to devalue its currency in order to keep up with its debt repayments, sparking the ‘Tequila crisis’ across the region as capital fled amid concerns about the viability of Latin American
economies. Such problems were not confined to Mexico. Indeed, they were early signs of an oncoming organic crisis that spread across the region by the end of the decade. The late 1990s and early 2000s were characterised by an increasingly vocal and widespread rejection of neoliberalism, exemplified by the social tensions in Ecuador which toppled neoliberal presidents in 1997, 2000 and 2005; the ‘wars’ against the privatisation of water and gas in Bolivia that did likewise in 2003 and 2005; the rise of new social movements like the Landless Workers’ Movement (Movimento dos Trabalhadores Rurais Sem Terra, MST) in Brazil; the range of indigenous movements explicitly opposed to neoliberalism across the region, and the creation of the World Social Forum in Porto Alegre in Brazil in 2001 as a site for the coalescence of anti-neoliberal forces.

Then came the collapse of Argentina’s economy in 2001, followed by a rapid unravelling of the country’s social order. Throughout the 1990s, Argentina had been the poster child for the neoliberal project, put forward as proof that the free market could resolve the region’s problems and set it on a stable and sustainable path to growth and prosperity (Green 2003, 13). However, the impact of the Asian Financial Crisis in 1997 sent the country into recession, and previously ignored issues such as excessive debt, unemployment and inequality came to the fore. In response, the IMF insisted on increased austerity measures, and then suspended loans to the country when these did not go far enough, sparking further capital flight, a run on the banks and social unrest, which combined to bring down the government of Fernando de la Rúa in December 2001.

The new government of Adolfo Rodríguez Saá defaulted on the country’s debt, and the following year saw one of the worst economic crises in Argentina’s history, as the economy shrank by almost 11 per cent and 20,000 people slid below the poverty line every day (Panizza 2009, 134; Green 2003, 13). As a result of the crisis in
Argentina, neoliberalism lost its ‘common sense’ appeal across the region. While the origins of the crisis may have been unique to the country, the economy’s collapse nevertheless vividly highlighted the economic, political and ideological shortcomings of the neoliberal project across the region.

Economically, the problem was that neoliberalism did not contain a plausible development strategy for the region. The revival of the early 1990s relied on foreign capital inflows, two thirds of which were speculative short-term portfolio investments in bonds and securities, rather than productive foreign direct investment that would stimulate development (Bulmer-Thomas 2003, 361). Thus, while neoliberal reforms brought macroeconomic stability and tamed hyperinflation, they created another type of instability by leaving Latin America at the mercy of capricious investors who often knew little, if anything, about the situation in the region (Hershberg & Rosen 2006, 11; Huber & Solt 2004).

Furthermore, the increased volumes of capital inflows masked the fact that they were largely confined to the biggest economies. Countries like Nicaragua or Bolivia saw little in terms of investment, making them dependent on IMF loans, with all the usual conditions of austerity attached to them (Green 2003, 62). Those countries that did manage to attract capital did so at a cost of expanding debt and high interest rates which stifled domestic investment. Between 1994 and 2004, the region’s external debt increased from $533 billion to $761 billion (Robinson 2008, 266). Once capital flows dried up, these debts again became a catalyst for IMF intervention and demands for further reforms. Moreover, investment inflows pushed up the value of the currency, which made imports cheap, but also hurt the export sector on which the development of the region was supposed to rely (Green 2003, 97).

In short, export-led growth was failing to deliver on its promises. The American ‘competition state’ model imposed on the region, unlike the ‘Third Way’ state
developed in Western Europe, precluded the development of a state-led industrial policy that would ready local capital for global competition. Left to fend for themselves, many Latin American companies could not survive in the global economy, and went out of business (Green 2003, 135-6). The diffusion of capital and technology from the global economy also largely failed to materialise. Instead, foreign capital predictably snapped up the most profitable assets, often at fire sale prices during the privatisation process, and subsequently enjoyed immense profits from high prices as public monopolies became private ones (Reygadas 2006, 134). And while Latin America’s overall share of world exports ostensibly increased, this was primarily due to Mexico’s unique status as a production plant for U.S. capital following the signing of NAFTA (Bulmer-Thomas 2003, 385). And this production boom was primarily confined to the maquiladoras – ‘export processing zones’ – largely isolated from the rest of the economy (Hershberg & Rosen 2006, 11).

Mexico excluded, Latin America’s share of world exports actually declined during the neoliberal era, and the majority of its diversified exports came in the form of non-traditional agricultural goods such as cut flowers, fruit, wine, winter vegetables and soy, and service sectors such as call centres or tourism (Bulmer-Thomas 2003, 390; Robinson 2008, 57). This indicated a diversification away from a reliance on a narrow range of commodities, but it still left economies vulnerable to declining terms of trade. Accordingly, while the volume of Latin America’s exports increased by an annual average of 15.1 per cent between 1983 and 2000, the value of these exports actually decreased by an annual average of 0.1 per cent over that period (Robinson 2008, 255).

Consequently, and contrary to neoliberal assurances, an embrace of the global economy did not lead to an upgrading of the region’s position in the global division of labour. Rather, countries overwhelmingly took the so-called ‘low road to globalisation,’ relying on commodity exports and cheap labour to plug into the global economy. On
this road, Latin Americans faced stiff competition from even cheaper labour in Asia. Thus, eight out of ten jobs created during the 1990s across the region were in the informal sector, where ‘flexible’ working conditions meant low wages, even less protection and no certainty of employment (Lander 2007, 21). By 2000, this informal sector accounted for 46.6 per cent of jobs in the region, up from 28.9 per cent in 1980 (Reygadas 2006, 136).

Even those employed in the formal sector saw their wages and conditions decline (Hershberg & Rosen 2006, 9). As a result, ECLAC found that in 13 of 17 countries in the region, the real minimum wage was lower in 1995 than it had been in 1980 (ECLAC 1998). Wages were also kept down by high unemployment, which almost doubled from 5.7 per cent in 1991 to 10.8 per cent in 2002 (Robinson 2008, 240). Such statistics exclude those who fell out of the labour market altogether, many of them the ‘new poor’: the former middle classes who had lost their public service jobs and were forced to survive by working as taxi drivers or street sellers in the informal economy (Green 2003, 155).

In the absence of a sustainable strategy for development, the region relied on continued growth to improve the living standards of its people. The per capita GDP growth at an annual rate of 1.2 per cent between 1991 and 2001, was well below the 4 per cent annual average between 1960 and 1980, and nowhere near the 5 per cent that ECLAC claimed was necessary for the region to catch up with the West (Bulmer-Thomas 2003, 383; ECLAC 1998). This growth was hardly built on sustainable foundations, and once it declined in the late 1990s, the true cost of neoliberalism became clear. While poverty rates remained largely stable following their increase through the lost decade, the absolute number of people living in poverty increased from 210 million in 1994 to 222 million in 2005 (Reygadas 2006, 124). The growth of income poverty was further compounded by a decline in social conditions, as health,
education and social programs were cut and privatised, effectively excluding those who could not afford them. As a result, inequality increased. The region’s Gini coefficient, measuring income inequality, rose from 0.50 in 1989 to 0.58 in 2002, compared to a world average of 0.38. The income of the richest 10 per cent of the population, already 25.4 times that of the poorest 10 per cent in 1990, increased to 40 times by 2002 (Psacharopoulos et al. 1997, 19; UNDP 2004, 43).

Ultimately, neoliberalism in Latin America had created a class structure where the very few that managed to plug into the global economy benefited enormously, while the remainder of society was left behind. Such a structure lacked a sizeable enough ‘contented class’ that would be the source of consent for the neoliberal order. Indeed, a 2000 ECLAC study found that the intermediate class category, that is those who were neither in the upper classes nor the working poor, accounted for only 13.9 per cent of the employed population. The earnings of the remaining 73 per cent of the working population below them were less than four times the poverty line, which in itself was not enough to lift a typical family out of poverty (ECLAC 2000, 17-19). Far from enabling the masses to share in the country’s wealth, neoliberal reforms only further entrenched the existing inequalities, swelling the ranks of the excluded (Reygadas 2006, 139-40). This hardly constituted the ‘democratic economy’ that the neoliberals had promised.

Such a situation was not conductive to preserving a hegemonic social order. Indeed, as I argued in Chapter 2, in order to be hegemonic, a dominant class needs to move beyond its own narrow ‘economic-corporative’ mindset and to construct an historic bloc which reconciles its own interests with those of other classes, and facilitates the participation of all social groups in the social order. With such high rates of poverty and inequality, the neoliberal project was not creating such a bloc. Instead, society was becoming increasingly polarised, and a growing disenchantment with the
neoliberal project was directed at the state. A 2006 *Latinobarómetro* survey found that 72 per cent of the people across the region believed that powerful social and economic groups controlled the state for their own interests, rather than those of the nation (*Latinobarómetro* 2006, 67). Indeed, in 2004, *Latinobarómetro* surveys found that over 80 per cent of people in the region did not trust political parties; over 75 per cent did not trust legislatures; and some 60 to 70 per cent did not trust Presidents, governments, the army, police and the judicial system (*Latinobarómetro* 2006, 31). The source of this distrust came from a belief that these institutions did not treat all citizens equally, and more than half of the people surveyed thought that poverty was the main reason for this (*Latinobarómetro* 2004, 34-5). This highlighted a deep crisis of not only the economic project of neoliberalism, but also its political one based on the promise of democracy.

The central shortcoming of the democratic state promoted by the neoliberals was that it was ill-suited for dealing with socio-economic exclusion. This was because it was better understood, not as democracy, but rather as polyarchy: a system in which a small elite actually rules, and where mass participation in decision making is confined to choosing leaders in ‘free and fair’ elections (Robinson 2006, 99). Thereafter, the state is expected to isolate itself from rent-seeking interests in society in order to pursue policies aimed at ensuring the correct functioning of the free market (Panizza 2009, 110). This expectation is based on the premise that the political, social and economic spheres are independent of each other and only linked externally. Democratic legitimacy is thus understood to stem from a commitment to the formal democratic process, rather than from achieving positive social outcomes. Accordingly, in such a system, democracy can coexist with inequality and monopolisation of material and cultural resources (Robinson 1996a, 625-6).

However, the promise of democracy – understood as the expression of the will of the people – had been central to winning consent for the neoliberal project in the first
place. Consequently, as the socio-economic situation deteriorated, the ‘losers’ in the market system attempted to use their democratic powers to improve their situation, only to find the political system unresponsive. Voting for anti-neoliberal candidates seemed to have little effect, as too often they simply switched their ideological positions once they got into power (Panizza 2009, 95). On the other hand, genuine anti-neoliberal candidates were constrained by the external and internal primacy of neoliberal forces. For example when the Workers’ Party candidate Luiz Inácio Lula da Silva (Lula) was on course for a victory in the 2002 Brazilian Presidential elections, $9.1 billion of capital fled the country, and the investment bank Goldman Sachs set up a ‘Lula meter’ to quantify the costs of his rising popularity. As a result, interest rates rose to 20 per cent, and the value of the currency declined by 50 per cent, sparking an economic crisis that was only resolved when Lula and all the other candidates signed up to an IMF agreement which bound them to continue neoliberal reforms (Amaral et al. 2008, 146; Mollo & Saad-Filho 2006, 113). As similar incidents were replayed across the region, people increasingly saw themselves as excluded not only from the economic but also from the political system, resulting in growing disenchantment with the failed promises of neoliberalism.

This dissonance between the promises and realities of democracy was part of a larger tension within the social vision that accompanied the neoliberal project. As I argued earlier in the chapter, this social vision was predicated on the promise to ‘depoliticise’ society, so as to allow people to channel their energies into pursuing social mobility and consumption through the free market. The neoliberals attained consent for this vision by arguing that such a society was based on a model of the ‘normal’ societies in the West, which had for so long been the desired destination for people across the region. Whether this is an accurate representation of Western societies, or indeed whether such a free market utopia is even possible, is debatable.
Indeed, Gill has argued in relation to the global context that such a utopia is unachievable and contradictory because it implies the annihilation of the social and cultural basis on which the very edifice of market institutions is built (Gill 1997, 217-8).

On an even more basic level, however, the problem lies in neoliberalism’s inability to enable consumption and social mobility in the first place. As William Robinson has argued, for all of its emphasis on consumerism, neoliberalism’s commitment to flexible labour arrangements and austerity actually undermines the consumptive power of societies, especially that of the subordinate sectors (Robinson 2008, 102). This was quite apparent in Latin America by the turn of the 20th century, as consumption opportunities remained out of reach for vast majorities of the population. Likewise, the possibility of social mobility also seemed distant. In 2000, only 25 per cent of people across the region believed that it was possible to escape poverty (Latinobarómetro 2006, 50). At the same time, this reality was contrasted with the affluent lifestyles and consumerism of the region’s elites and of Western societies, increasingly visible through the prevalence of the internet and satellite television. This dissonance provoked feelings of deprivation and frustration, as the future promised by neoliberalism seemed to be symbolically close but materially distant (Panizza 2009, 131-2). Such frustration resulted in an explosion of violence as urban youth in particular perceived crime as the only possible means to participate in the consumerist culture being otherwise denied to them (Panizza 2009, 132). The elites, meanwhile, withdrew into their gated communities, abandoning any sense of responsibility for the situation (Colburn 2002, 7). The result was increasing social anomie and alienation, as both sides appeared to be vacating the social order and creating their own separate worlds, seemingly autonomous from each other.

This organic crisis was thus both old and new. It was old in the sense that it represented a return to the unresolved questions of the ISI period, chief amongst them
social exclusion, poverty and inequality. But it was also new in that it was now framed in terms of the failures of neoliberalism to resolve these questions. As such, it could not be resolved by a return to the past, but rather required a renewed effort to reconstruct the social order to deal with its tensions and shortcomings in a way that neoliberalism could not.

The Search for Alternatives: The ‘Pink Tide’ and Neostructuralism

In this context, a war of position in search for a way out of the crisis began to take shape from the late 1990s, with two divergent types of responses. On the one hand, a potentially counter-hegemonic response began to be articulated by a wide array of subordinate social movements that emerged on the terrain of civil society to demand social justice and inclusion in the social order (Robinson 2008, 280). These included indigenous movements, women’s movements, shantytown dwellers’ associations, peasants and landless workers’ movements, and new political parties and unions; all operating outside the formal structures of political society (Panizza 2009, 120). Empowered by a discourse of democracy and equality, they engaged neoliberalism on its own terms, demanding that their rights and grievances be acknowledged and resolved in the context of a democratic society. In doing so, they contested the neoliberal ideological project based on democracy and equality, challenging the meanings associated with these ideas, and seeking to construct new, more democratic and socially just ones.

This contestation highlighted the inherent tension in the neoliberal project, in that just as it marginalised large sections of the population, it also created the ideological tools through which this marginalisation could be challenged. Indeed, the very existence of these new social movements in Latin America was made possible by neoliberalism’s weakening of the corporatist structures which had tightly controlled
society during the ISI period. Their emergence thus represented a certain success of neoliberalism in making Latin American societies more democratic. It also signalled however, neoliberalism’s organic crisis, as its ‘democratic’ rhetoric was no longer accepted as ‘common sense.’

Consequently, as these movements gained in strength, they united with other radical social forces in an attempt to construct a more viable alternative to the neoliberal project. The result was a ‘Pink Tide’ of leftist governments elected in the region, beginning with the election of Hugo Chávez in Venezuela in 1998, followed by the election of left or centre-left governments in Argentina (2003, 2007 and 2011), Bolivia (2005 and 2009), Brazil (2002, 2009 and 2010), Chile (2000 and 2006), Ecuador (2006 and 2009), El Salvador (2009), Guatemala (2007), Nicaragua (2006 and 2011), Paraguay (2008), Peru (2011) and Uruguay (2005 and 2010). These governments represented more or less radical constellations of forces which sought to resolve the organic crisis through more or less counter-hegemonic projects that nevertheless signified the demise of neoliberalism as a viable model for the region.

As indicated, there was another kind of response to the failure of neoliberalism in Latin America. It came in the form of the ‘neostructuralism’ advocated by ECLAC (see: ECLAC 1990; 1992; 2007; Ffrench-Davis 1988; Sunkel & Zuleta 1990; Sunkel 1993). Neostructuralism had been around since the late 1980s, but as the organic crisis of neoliberalism escalated, it became increasingly fashionable amongst regional policymakers. Its appeal lay in the fact that it put forward a comprehensive critique of neoliberalism and its shortcomings in Latin America, while at the same time offering an appealing alternative that did not radically challenge the neoliberal world order. It thus offered a timely basis for a ‘passive revolution’ in regard to the neoliberal project.

Neostructuralism represented an attempt to redefine the original structuralist approach that had spawned dependency theory in the 1950s in order to account for the
new globalised age. Hence, it accepted the neoliberal insistence on the need to reduce
the state’s role in the economy and to unleash market forces in order to make Latin
America more competitive in the global economy. By themselves, however, these
changes would not lead to development and prosperity, the neostructuralists charged. As
the 1990s had clearly indicated, Latin American economies were simply unable to
compete with their core counterparts in the global economy. As a result, once
economies in the region were liberalised, most companies were crushed, and the region
descended further down the ‘low road to globalisation,’ characterised by exports of
primary commodities and labour-intensive consumer goods as a means to survive in the
global economy. This further entrenched poverty and inequality in the region and left it
further behind the core.

Neoliberalism had failed to account for this, neostructuralists argued, because it
assumed that the prerequisites for development were the same in Latin America as they
were in the core. But clearly, the structural differences between the core and the
periphery meant that this could not be the case. Indeed, the neostructuralists posited,
there was no single, universal path to development and prosperity. Rather, Latin
America needed to find its own endogenous development strategy ‘from within’ that
would enable a more dynamic integration of the region with the global economy – a
‘high road to globalisation,’ based on exports of value-added manufactures and capital
goods. Such a strategy required a more active state, working within a market
framework, to devise and implement a development strategy to increase the
competitiveness of the economy. Central to such a strategy would be the promotion of
 technological innovation through funding, incentives and subsidies for research and
development, as well as by building alliances between local and transnational capital in
order to facilitate technological diffusion (Sunkel & Zuleta 1990, 44). Likewise, the
state should take on a more active role in increasing the productivity of the workforce,
by improving and extending the education system to increase the knowledge base of society, as well as by providing training and new skills for workers to adapt to the changes in the production system (ECLAC 1990). Lastly, such a strategy would require a more active role for the state in promoting exports, by supporting ‘national champions’ in their bids to conquer the world market, concentrating especially on the more technologically advanced sectors (Leiva 2008, 16).

Neostructuralism thus proposed a plausible and coherent explanation of the failures of neoliberalism, and an attractive strategy for a way out of the crisis, without sacrificing the ‘gains’ brought about by the neoliberal project. Its biggest drawcard, however, was its social agenda, which stressed the need to alleviate the socioeconomic devastation wrought on the region by neoliberal restructuring. Indeed, it placed doing so at the core of its project, recognising that ‘sustained growth based on competitiveness is incompatible with the continued existence of lags as regards equity’ (ECLAC 1990). Accordingly, the state was assigned a renewed role in providing social welfare, most importantly in the form of investment in the ‘human capital’ of the masses, in order to improve their competitiveness and thus enable them to join the formal economy. By extension, this would improve the competitiveness of the country as a whole (Sunkel & Zuleta 1990, 42-3). For neostructuralists, such a welfare role was necessary not only for improving competitiveness, but also, crucially, to resecure consent for the overall neoliberal project. By alleviating some of the worst aspects of socioeconomic exclusion, neostructuralists hoped to foster social cohesion in societies riven by polarisation, anomic and alienation; and thus prevent the complete breakdown of social orders.

This desire for social cohesion also meant that the state needed to facilitate the participation of the other ‘losers’ of neoliberal restructuring in the social order. Through initiatives like participatory governance, public-private partnerships and state-society alliances, the state was to engage in ‘dialogue’ with ‘civil society,’ intended to create
ownership’ of policies and thus foster consent for them (ECLAC 1990). Accordingly, neostructuralism presented itself as a more democratic development strategy than the neoliberal deference to ‘impersonal’ market forces, offering a broad spectrum of social actors – from national capital, organised labour, non-governmental organisations to community leaders – a chance for democratic deliberation on the direction of the country (Leiva 2008, 145).

In sum, the appeal of neostructuralism lay in its supposed claim to offer a true alternative to the neoliberal path to the global economy, ‘globalisation with a human face,’ that would bring not only efficiency and competitiveness but also political legitimacy and social cohesion (Leiva 2008, xx). In this sense, it was similar to the ‘Third Way’ being constructed in Europe under leaders like Tony Blair and Gerhard Schröder, and to the developmentalist model of the East Asian NICs that I outlined in the previous chapter. It also had a lot in common with the growing calls for a ‘post-Washington Consensus’ by certain sections of the neoliberal ruling class that were beginning to realise that the shortcomings of the neoliberal project were putting the viability of the entire world order at risk (see: Stiglitz 2002; Kuczynski & Williamson 2003). Neostructuralism could thus be seen as the Latin American dimension of an incipient global passive revolution, aimed at resecuring consent for the neoliberal project before it was too late.

Thus, at the outset of the 21st century, these two responses – a potentially counter-hegemonic movement from below and a top-down attempt at a neostructuralist passive revolution – faced each other in a regional war of position over the future of the regional order. In the following two chapters, I explore the two most prominent projects in this war of position – Venezuela under Chávez and Brazil under Lula and Rousseff – both of which emerged out of the bottom-up surge of social discontent with the neoliberal project in order to reconstruct their social orders, albeit in significantly
different ways. In Chapter 7 I then examine the consequences of these two projects for Latin America as a whole, and evaluate the counter-hegemonic potential of the Pink Tide in the regional war of position.
Chapter 5: The Bolivarian Revolution as a Counter-hegemonic Project

In the previous chapter, I outlined the transference of the neoliberal project to Latin America and its eventual organic crisis in the late 1990s. This crisis, I argued, sparked a struggle between various social forces seeking to remake their societies in the wake of the failures of neoliberalism to deliver either economic prosperity or social progress. At the end of the chapter, I touched on the emergence of the ‘Pink Tide’ of leftist governments as a response to the crisis of neoliberalism. As I argued in the Introduction, this Pink Tide phenomenon, is not homogenous, but includes quite different approaches to countering neoliberalism. The aim of this chapter is to explore one of the most prominent of these – the ‘Bolivarian Revolution’ of Hugo Chávez in Venezuela. In so doing, I argue that it represents a fledgling attempt to construct a counter-hegemonic project that seeks to promote alternatives to neoliberalism and to global capitalism, per se. While still in its infancy, and facing a number of internal and external pressures, the Bolivarian Revolution nevertheless represents a fundamental challenge to the neoliberal project not only within its own borders, but also regionally. Its regional dimension is explored in Chapter 7. Here, I focus on its domestic features.

I begin with a brief outline of the key characteristics of the Venezuelan social order in order to highlight the historical and cultural context within which Chávez has constructed the Bolivarian project. While defined by a divide between the dominant and subordinate classes similar to that found elsewhere in the region, Venezuela possesses a tradition of mass struggle for liberation, exemplified most notably in the Wars of Independence at the start of the 19th century. This tradition, while denied during the colonial and early Republican period, has remained as a sediment in the popular
common sense, forming a powerful historical memory to which revolutionary figures like Chávez have appealed. I initially touch on this historical context, before turning to the ‘Punto Fijo’ regime (1958-1998) in section two. Much like the other import substituting industrialisation (ISI) blocs around the region, Punto Fijo faced tensions from those left out of the social order, yet its oil-fuelled economy allowed it to ride out these tensions and prevent the kind of descent into Caesarist military rule that occurred elsewhere in Latin America.

However, Venezuela’s exceptionality ended in the 1980s, when excessive debts and a decaying historic bloc finally descended into organic crisis. I examine this organic crisis, and the attempts to resolve it via neoliberal means in section three of the chapter. Here I point out the difference between Venezuela and other countries in the region such as Brazil, where the neoliberal project managed to temporarily resolve socioeconomic problems and thus attain a degree of consent. In Venezuela, no such resolution was forthcoming. Consequently, the organic crisis there continued unabated as the country was brought to the brink of collapse by the late 1990s. It was in this context that Chávez rose to power, fulfilling the role of a radical organic intellectual to articulate disparate resentments and demands from the popular classes into a coherent attack on the Punto Fijo bloc. I discuss this attack in section four, as well as Chávez’s articulation of a ‘Bolivarian collective will’ which seeks to transform popular self-understandings in such a way as to enable a radical praxis in the construction of a counter-hegemonic project. In section five, I explore the various political, economic and social institutions that the government has constructed in civil society to disseminate this collective will. Lastly, I highlight the broad contours of the Bolivarian historic bloc that Chávez is seeking to construct, before examining its viability and the tensions and problems that it faces.
The Venezuelan social order has been historically characterised by a dichotomy between civilisation and barbarism. The country's backwater status in the Spanish Empire, its sparse population and its relatively mixed racial profile (owing to the approximately 100,000 African slaves brought to work the cacao plantations) all combined to create a deep-seated fear amongst the white creole elite regarding the 'barbarity' of its masses. These masses (el pueblo), located predominantly in the vast plains (llanos) of the interior, were seen as a perpetual threat to the progress of civilisation in the country, to be contained and controlled via the institution of slavery. This civilisation-barbarism dichotomy was temporarily bridged by Simón Bolívar, a man of the elite who, in the 19th century, was able to channel the energy of the masses into the cause of liberation and independence from Spanish imperialism (Coronil & Skurski 1991, 296-7).

However, the original Bolivarian quest was always beset by two contrasting ambitions and visions for Venezuela. On the one hand, the creole elite sought independence from Spain and greater freedom for 'all' Venezuelans, while simultaneously seeking to dominate and exploit the llanos. On the other hand, the masses who fought the wars of independence – the pardos (mixed race descendants of blacks and Indians) and slaves – were seeking a much more profound freedom – a freedom that that threatened the traditional elite (Cannon 2004, 287). The result was a reformulation of the old social hierarchy in the newly independent Venezuela via a process Gramsci referred to as transformismo which, in this case, saw a small number of pardos absorbed into the newly 'free' society which nevertheless remained dominated by Creoles. Accordingly, there was little structural change, as coffee joined cacao as the main export in the plantation system (Ewell 1984, 6-7). And, armed with the latest biological theories of racial superiority, the new/old elite re-emphasised the
civilisation-barbarism dichotomy to deny to the validity of the vision of liberation held by the masses. The dominant classes thus simply reasserted their traditional civilising mission, this time through the processes of modernisation, centralisation and the ‘whitening’ of the population through European immigration.

In this context, the subordinate vision of liberation in Venezuela receded into the background, though it did not disappear. Instead, it formed a sediment in the popular common sense that would resurface from time to time to animate popular resistance to elite rule during the 19th and early 20th centuries, and which Chávez would tap into to build consent for the contemporary Bolivarian Revolution. For most of its modern history, however, the democratic vision of Venezuela was thwarted by a landed elite and regional strongmen (caudillos) who monopolised power and sought to ‘civilise’ the nation in their own interests.

Things began to change in the 1920s as oil became the country’s biggest export and the landed elite increasingly lost its prominence (Ewell 1984, 70). The oil industry and the expanding state bureaucracy spurred the growth of a number of social forces, most importantly a ‘middle class’ – consisting mostly of professionals, bureaucrats and importers of foreign, especially American, goods – and a small working class concentrated around the oil camps and in Caracas. The decline of agriculture also led to the further marginalisation of the rural masses, causing mass migration to the cities and oil camps in search of work. However, unlike the situation elsewhere in the region, the domination of Venezuela’s economy by oil meant that there was little incentive for industrial development. As a result, the industrial bourgeoisie remained a minor force and it was the middle class that became the most important social force, making up 37 per cent of the workforce by 1936, and 54 per cent by 1950 (Karl 1987, 70-1). It was this middle class that led the challenges to the dominant social order during the dictatorship of the caudillo Juan Vincente Gómez (1908-1935). Driven by a resentment
of Gómez’s accommodation of foreign companies which dominated the oil industry, these challenges were framed in nationalist terms, with demands that the regime take a more assertive stand vis-à-vis foreign capital and ‘sow the oil,’ using the increased profits to modernise and develop the country (Ewell 1984, 62).

Following Gómez’s death in December 1935, the middle class, coalescing around the Acción Democrática (AD) party, took the lead in attempting to reconstruct the social order into a new historic bloc along import substituting industrialisation (ISI) lines. In the absence of a sufficiently strong industrial sector it faced resistance from the decaying landed oligarchy and foreign and local capital. Still committed to laissez faire ideas, these forces rejected the need for state-led industrialisation and resisted attempts to incorporate the subordinate classes in the social order (Karl 1987, 75). Over the next 22 years this struggle resulted in a series of military governments under Eleazar López Contreras (1935-41), Isaías Medina Angarita (1941-5) and Marcos Pérez Jiménez (1948-58), all more or less committed to preserving the old order. This period was punctuated by a brief phase of democratic AD rule between 1945-48 known as the trienio, during which the foundations of ISI were laid. Eventually, as the Pérez Jiménez regime pursued grand developmental and construction projects in the 1950s this gave the middle class and its allies among the working class an opportunity for change, and in an uprising in January 1958 these forces united to overthrow Pérez Jiménez and restore democracy. Subsequently, AD and other political parties constructed a ‘Punto Fijo’ historic bloc, which would attain widespread consent, and persist until the election of Chávez some forty years later.

*The Punto Fijo Historic Bloc (1958-1998)*

The Punto Fijo historic bloc represented Venezuela’s version of the ISI model, based on a tripartite compromise between the state, capital and labour. It sought to increase the
government’s share of the oil profits and use them to ‘sow’ capitalist development through industrialisation and the fostering of the domestic market. The goal was to diversify the economy away from its dependence on oil to prepare for the day when it ran out. Accordingly, on the eve of his inauguration, the first Punto Fijo President, Rómulo Betancourt, unilaterally changed the profit arrangements with foreign oil companies from 50:50 to 60:40 in favour of the government. The profits were subsequently used to provide cheap credit to industry, invest in the necessary infrastructure, and erect tariffs and barriers behind which it could develop.

The Punto Fijo bloc also built corporatist structures in order to organise and control the subordinate classes both in the factory and in the countryside. These structures became the exclusive means through which benefits – from land reform to wage increases and union bargaining rights – were distributed, creating clientelistic relationships between the state and the masses. At the same time, universal subsidies and generous welfare programs, coupled with social mobility and consumption opportunities, accommodated the middle classes. Thus, the Punto Fijo historic bloc brought together the main social forces in the country to foster the development and modernisation of the nation.

This historic bloc was held together by an ideological project that projected a social vision based on democracy: understood as not only a system of political participation but also as economic entitlement to the nation’s oil wealth (Coronil 2000, 35). In this context, oil was presented as more than just a simple commodity. Rather, it was represented as the nation’s collective inheritance – an inheritance squandered by caudillos from Gómez to Pérez Jiménez, who had sold out to the imperialist foreign oil companies, and lined their own pockets with the profits (Castro-Klarén 2003, 37). In contrast, the Punto Fijo leaders made much of their anti-imperialism, declaring ‘no more concessions’ to the oil companies, and promising to ensure that the whole nation
benefited from its inheritance. Moreover, by enabling mass participation in the social order, Punto Fijo was presented as embodying Bolívar’s dream of uniting the civilising mission of the elite with the energy of el pueblo to lead the nation towards modernity and progress. As the rest of Latin America descended into military rule and class conflict in the 1960s and 1970s (see Chapter 4) this Venezuelan democracy was celebrated as the country’s greatest achievement; leaving behind its troubled past, and constructing a modern society free of racial and class cleavages (Ellner & Salas 2007, 6-7).

The Punto Fijo historic bloc attained a high degree of hegemony, especially as growing global demand for oil drove economic growth, bringing unprecedented prosperity. Between 1958 and 1971, per capita GDP in Venezuela increased from $692 to $942 – second only to Argentina – and education levels, health standards, life expectancy, access to housing and public services, infant mortality and employment opportunities all improved, validating the promise to distribute the benefits of the oil wealth to the whole nation (Ewell 1984, 181; Lander 2007, 21). Unlike the situation elsewhere, this distribution was not a zero-sum game. Revenue from oil rents meant that the state could support capital accumulation and ensure the welfare of society without the need to levy high taxes, thus avoiding the kind of struggles over surplus seen elsewhere in Latin America (Karl 1987, 87). Coupled with the fact that oil had eliminated the power of the landed oligarchy, this made for a much more stable and consensual social order, as evidenced by high electoral turnout, which peaked at 96.5 per cent in the 1973 Presidential election (Cannon 2009, 35). Even a low-intensity guerrilla campaign carried out by the Communist Party and the far left during the 1960s failed to challenge this hegemony. The guerrillas found little support and by the end of the decade gave up their struggle to join the political process. As a result, Venezuela
was lauded as an ‘exceptional democracy,’ promoted by the U.S. as a model for the rest of Latin America to follow (Ellner 2008, 51).

Nevertheless, the Punto Fijo bloc represented a ‘passive revolution’ of the old social order, which meant that a number of its problems remained in place. The economy remained dominated by oil, and failed to move on to the ‘hard’ stage of ISI to overcome the country’s dependency on foreign technology and capital (Coronil 1997, 362; Ewell 1984, 156). Likewise, Venezuela’s brand of ISI created a two-tiered workforce, with a small minority prospering by plugging into the capital-intensive and high-skilled sectors, while the majority swelled the expanding number of marginalised and impoverished concentrated in the countryside and the urban slums (barrios) (Ewell 1984, 182).

As a result, by the early 1970s, Venezuela had one of the most unequal distributions of income in the world which saw the top 20 per cent of the population earning 65 per cent of the income, while the bottom 40 per cent only accounted for 8 per cent (Ewell 1984, 182). This did not augur well for an historic bloc whose hegemony rested on the promise of wealth redistribution.

Moreover, the corporatist structures not only fuelled corruption, but also precluded autonomous organisation from below. As the population grew and society evolved, those outside these structures – residents of the barrios and unorganised peasants – found themselves unrepresented and unable to play a meaningful role in the system (Coronil 2000, 35). Meanwhile at the top, the political system was narrow and elitist. The two main parties – AD and COPEI – effectively monopolised power amongst themselves, marginalising other actors, and preventing any radical change.

These problems led to growing tensions, manifested in student protests, splits within the main parties and a general sense of discontent and frustration with the conservatism of the system (Ellner 2008, 66-70). These tensions were temporarily swept
under the carpet from 1973 onwards, as the global oil price shocks quadrupled government revenues and brought renewed hope that the shortcomings of Punto Fijo could be overcome (Coronil & Skurski 1991, 292). Indeed, under the presidency of Carlos Andrés Pérez (1974-9), the oil industry was nationalised, state-led industrialisation intensified and social spending and consumption increased dramatically. As a result, social indicators improved across the board, with poverty declining to 10 per cent of the population in 1978, and extreme poverty to 2 per cent (Buxton 2003, 115). No structural change took place, however, and when oil prices declined in the early 1980s, Venezuela was left with even greater dependency on oil, and the highest per capita debt in Latin America (Coronil & Skurski 1991, 293). Predictably, when the 1982 Debt Crisis hit Latin America, the whole Punto Fijo facade began to crumble.

The 1980s and the Slow Burning Organic Crisis

Venezuela thus found itself in a similar position to the rest of Latin America by 1982. Public debt, including that held by state enterprises, stood at $54 billion, while capital flight reached $8 billion (Ewell 1984, 199; Buxton 2003, 115). The combination of the Debt Crisis and a decline in the global price of oil made the economic situation untenable. In 1983 this led the government of Luis Herrera Campins (1979-1984) to devalue the currency and cut spending in order to redirect resources to debt servicing. The result was an exceptionally harsh recession, as GDP declined for the next three years, and unemployment doubled to 14 per cent (Morley 1995, 102). While the new government of Jamie Lusinchi (1984-89) managed to ease the recession following a costly debt re-negotiation agreement with the banks in 1986, a drop in oil prices meant that the country went further into debt while foreign reserves dwindled (Nissen & Welsch 1994, 95). Thus, during Venezuela’s own ‘lost decade,’ real incomes declined
by 50 per cent; the number of people living in the *barrios* increased from 2.7 million in 1977 to 8.3 million in 1989; and overall the proportion of population living in poverty increased to 46 per cent, with 14 per cent living in extreme poverty (Coronil & Skurski 1991, 293; Coker 1999, 82; Roberts 2003, 59).

In this context, the Punto Fijo bloc and its social vision based on a democratic and prosperous society united above class and racial cleavages became increasingly contested from numerous vantage points. The common thread in all these challenges was the demand for greater democracy, albeit articulated in different terms by different sections of society. At the one end of the spectrum, the upper and middle classes organised into neighbourhood organisations and ‘civil society’ groups, and blamed the country’s problems on the corruption and incompetence of the political parties and the interventionism of the Punto Fijo state. These groups demanded a democracy based on the primacy of ‘civil society’ and ‘economic liberty,’ free from the reach of the overbearing state (Lander 2007, 24).

At the other end of the spectrum, the masses demanded their inclusion in the social order via increasingly unconventional means, from strikes to hijackings of public vehicles (Fernandes 2010, 60). These strategies were coupled with more ‘official’ expressions of dissent from the working classes, channelled through new actors such as the Causa R and MAS parties, which rejected austerity and demanded greater worker participation in the management of companies (Ellner 2008, 83). Meanwhile in the military, a young Hugo Chávez formed a conspiratorial group – the MBR-200 – to seek the solutions to the country’s problems in the legacy of Bolívar (Gott 2005, 35).

The Punto Fijo social vision was, by the late 1980s, under attack from all angles, as the social order seemed to be stuck in a state of organic crisis. The Lusinchi administration proved incapable of resolving the crisis, labelling its critics as ‘subversives’ and resorting to police and military violence to silence them (Coronil &
Skurski 1991, 309). It was in this context that Carlos Andrés Pérez was elected for a second term as President in 1988. Campaigning on a vague promise of a return to the prosperity of his first term, Pérez presented himself as a man who would make history by re-energising the Punto Fijo system (Coronil 1997, 374). Instead, his Administration turned out to be its last gasp. Within weeks of his inauguration, Pérez unveiled the Gran Viraje (the Great Turnaround) – his plan to save the nation by implementing neoliberalism, which would in fact lead to the final collapse of the Punto Fijo bloc.

The 1990s and the Failed Neoliberal Passive Revolution

Neoliberalism arrived in Venezuela thus amid a deep-seated organic crisis of the ISI bloc, proposing to resolve the crisis by unleashing the free market. In many ways, the Gran Viraje was typical of the Structural Adjustment Packages (SAPs) implemented elsewhere in the region. It sought to achieve macroeconomic stability and create a free market economy that would shift Venezuela away from its reliance on oil and plug it into the global economy on the back of non-traditional exports. And, as happened in other parts of Latin America (e.g. Argentina and Peru) Pérez campaigned on an explicitly anti-neoliberal platform, only to announce after the election that he had signed a secret agreement with the IMF.

Unlike the situation elsewhere in the region, however, the neoliberal project failed to attain even a fleeting degree of hegemony in Venezuela. Within days of Pérez’s announcement, the removal of subsidies on petrol sparked five days of riots and looting throughout the country in which the rage of the subordinate and middle classes finally exploded. The event – known as the Caracazo – was without equal in terms of ‘IMF riots,’ with at least 1,000 people killed as the army moved in to restore order (Coronil & Skurski 1991, 311).
The Caracazo represented a vehement rejection of the neoliberal project from which it never recovered. Pérez continued to implement reforms, but struggled to garner consent for them in the face of open resistance from across Venezuelan society. The government survived two failed coups in 1992 – one of them led by Chávez – both of which received broad popular support. Eventually, Pérez was impeached for corruption in 1993, halting the neoliberal project.

Pérez’s successor, Rafael Caldera (1994-99), won the election by promising not to go further down the neoliberal path. Yet by 1996, faced with the continuing deterioration of economic conditions and a banking crisis, he relented and reached an agreement with the IMF to implement further reforms. This saw his popularity drop and the legitimacy of the Punto Fijo bloc collapse completely. Neoliberalism only managed to exacerbate the organic crisis of the social order, enabling the emergence of a radical counter-hegemonic alternative embodied in the election of Hugo Chávez in 1998.

The roots of this failure lay in the inability of the neoliberals to construct an historic bloc which could both deliver material concessions and promote an ideological social vision that could win consent. Elsewhere in Latin America, the taming of hyperinflation led to an immediate improvement in living standards. Coupled with the return of economic growth this allowed neoliberals to claim that they were returning stability and prosperity to their nations. Likewise, organic intellectuals throughout Latin America developed ideological projects that appealed to all classes, especially the informal masses, whom they promoted as the biggest potential beneficiaries of the new ‘democratic economy.’ In Venezuela by contrast, a further deterioration of the socioeconomic conditions and an overtly anti-popular ideological project only deepened the organic crisis and further polarised society.

In economic terms, neoliberalism’s lack of a plausible development strategy was felt even more acutely in Venezuela than elsewhere, given the historical weakness of its
private sector. Some sections of capital – most importantly finance, oil and some of the larger, often foreign owned corporations – did manage to plug into the global economy and became the advocates for neoliberal restructuring. In most cases, however, private capital, propped up by subsidies, tariffs and virtually tax-free profits for decades, struggled to survive in a suddenly ‘liberalised’ economy. Manufacturing growth declined from an annual average of 4.3 per cent in the period 1980-90 to 1.5 per cent in 1990-98. Private investment was lower in the 1990s than at any other time since the 1950s, as most of the profits escaped the country in the form of capital flight (Di John 2005, 111-12). Local capital struggled to take even the ‘low road to globalisation:’ the share of the labour intensive industries in the overall value-added manufacture actually declined from 30.4 per cent in 1990 to 25.8 per cent in 1998 (Di John 2004, 12). The country’s main link to the global economy remained the state-owned oil company, PDVSA (Petróleos de Venezuela, S.A.), whose share of total exports increased from 76 to 81 per cent between 1989 and 1991 (Lander 1996, 57). Increasingly, however, it became a transnational company, investing in foreign markets and spiriting profits out of the country.

Neoliberalism therefore, made Venezuela even more dependent on oil while the rest of the economy floundered without protection. With oil prices low in the 1990s this hardly qualified as a developmental strategy. Accordingly, between 1990 and 1998, per capita GDP declined by 2.7 per cent (Di John 2005, 111). By the end of the decade the unemployment rate was the highest in the region at 15.4 per cent, as 53 per cent of the working population eked out a living in the informal sector, and the real minimum wage was less than 40 per cent of its 1980 level (Roberts 2003, 56-60).

Such a dismal performance meant that the neoliberal reliance on growth alone to improve people’s livelihoods proved unviable in Venezuela. Instead, ever larger sections of society slid into poverty, aided by an average annual inflation rate of 50.1
per cent during the decade, and per capita social spending that was 40 per cent lower than its 1980 level. In 1989 alone, poverty increased from 42 to 66 per cent and extreme poverty more than doubled from 14 to 30 per cent (Di John 2005, 115; Roberts 2003, 59). By 1998, 81 per cent of the population lived below the poverty line, including 48 per cent in extreme poverty (Fernandes 2010, 73).

These figures signalled that a much more drastic decline of the middle class was taking place in Venezuela than in anywhere else in the region. With the average annual income decreasing from $5,345 in 1979 to $3,049 in 1997, the middle class could not enjoy the ‘culture of contentment’ as it did elsewhere in the region and the world, meaning that it could not act as a source of consent for neoliberal reforms (Maya & Lander 2004, 210-1). Instead, all the benefits of restructuring went to a shrinking elite at the top. Between 1988 and 1991 alone, the income share of the richest tenth of the population increased from 30.3 to 43 per cent, and for the rest of the decade Venezuela experienced the fastest growing inequality in Latin America (Lander 1996, 63; Di John 2005, 117). Such conditions did not lend themselves to a consensual order.

These economic conditions were compounded by the failure of the neoliberal ideological project to attain consent for the reforms. As elsewhere in Latin America, Venezuela had its own técnicos – technocrats and economists who became organic intellectuals for the neoliberal project. Dubbed the ‘IESA Boys’ – after the Instituto de Estudios Superiores de Administración (Institute of Higher Administration Studies, IESA) from which many of them graduated – they engaged in a war of position in civil society, seeking consent for neoliberalism by constructing an ideological project that diagnosed the country’s problems and proposed straightforward solutions to them. Venezuela’s problem, the IESA Boys argued, was its reliance on oil. This reliance meant that it had become a classic rentier economy, dependent on a single commodity for an unstable source of revenue, which diverted resources away from other, more
stable and productive sectors. Oil rents, moreover, allowed the state to subsidise an inefficient, unproductive, uncompetitive economy; facilitating a corrupt political and economic elite more concerned with competing for access to the state than with productive activity (Naím 2001, 20-1).

The problem with oil, moreover, was that it created a ‘rentier mentality’ deeply embedded in the popular consciousness, which led people to believe that Venezuela was a rich country, and to expect state handouts as a birthright (Romero 1997, 21). Oil had created a lazy and undisciplined society, argued the IESA Boys, where the cultural relationship between hard work and prosperity had been eroded, and where people were ‘afraid of modernity’ (Romero 1997, 19). It was no longer possible, the neoliberals argued, for Venezuelans to keep living in a dream world where they could go on consuming beyond their means (Coronil & Skurski 1991, 313). Instead, it was time to wake up and go back to work, and dispel myths about Venezuela’s ‘exceptionality.’

This argument clashed with the Punto Fijo common sense, which for decades had celebrated oil as the nation’s inheritance to be cherished and exploited for the common good. Oil, in the popular common sense, had always been more than a simple commodity. It was telling that the Caracazo erupted in response to government attempts to increase the cost of petrol to bring it in line with market prices; signifying a rejection of the commodification of the nation’s inheritance (Coronil & Skurski 1991, 315). Moreover, the neoliberal argument was especially problematic given that it came from the very same elites that had spent the past three decades propagating Punto Fijo common sense (Ellner 2008, 89). Elsewhere in Latin America, neoliberal social forces coalesced around political outsiders to form a new leadership class, enabling them to shift the blame for their country’s problems onto the old populist and military elite. In Venezuela, the chief proponent of neoliberal restructuring was Carlos Andrés Pérez, the
man most associated with the riches of the oil boom and state-led development. As a result, the ideological project struggled to attain consent.

This difficulty was exacerbated by its overtly anti-popular tone. Following the Caracazo, the traditional elite fears about the barbarous masses were reawakened, and the masses once again were perceived as a threat to the established order. The barrios came to be associated with all sorts of degenerate behaviour, from crime to drug dealing, and the widespread looting that took place during the Caracazo only reinforced the belief that the masses were lazy and unproductive. As a result the 'rentier mentality' came to be associated almost exclusively with el pueblo, who became the scapegoat for the country’s problems.

This was in stark contrast to the rest of the region, where neoliberal organic intellectuals appealed directly to the masses as a crucial source of hegemonic consent. In Venezuela the masses, and their resistance to neoliberal reforms, were treated as a threat to the civilised order, a threat best encapsulated by the AD President Gonzalo Barrios, who warned that if Venezuela turned its back on neoliberalism it 'would not necessarily return to loincloths and arrows...but we could go back to a situation in which luxuries like Rolls Royces and fancy televisions would disappear' (cited in: Coronil & Skurski 1991, 321-2). This represented the return of the old civilisation-barbarism dichotomy, now framed in neoliberal terms. The free market was represented as the symbol of civilisation, the domain of the modernising elite, from which it had to conquer the barbarous masses once again, bringing discipline, market rationality and progress in the process (Coronil & Skurski 1991, 327). Resistance was defined as a rejection of modern rationality and a capitulation to barbarism. Defined in these terms, there seemed little space and no legitimate role for el pueblo in the new neoliberal Venezuela.
Thus, rather than resolving the organic crisis, the neoliberal project deepened it, as the country became even more polarised. The dominant classes increasingly hid behind high walls and electric fences in the few remaining islands of prosperity as political, economic and criminal violence became the order of the day. The number of homicides increased by 418 per cent between 1986 and 1996, creating a generalised sense of insecurity across the nation (Lander 2007, 22). In the barrios, the masses increasingly experienced only the coercive arm of the state as police and military units repressed criminals and protesters alike with little regard for casualties or human rights (Fernandes 2010, 79).

Faced with repression and marginalisation, the popular classes fought back, organising and mobilising to demand inclusion in the social order and an improvement of their living standards. With the traditional corporatist structures closed to them they turned to protest in public spaces, on highways, and in city squares, protests which often turned violent. The number of protests recorded in the country peaked at 273 in 1996 – up from 103 in 1988 – 122 of which were confrontational and 90 violent (Maya & Lander 2004, 216).

The inability to resolve the country’s problems through conventional political means led to a society-wide disenchantment with the political system. A survey in 1994 found that 84 per cent of the population blamed politicians for all of the country’s ills (Romero 1997, 23). The 1993 Presidential election saw a 40 per cent abstention rate, and by 1998 63 per cent of people believed ‘radical change’ was necessary in the country (Schuyler 1996, 22; Hellinger 2003, 35). In sum, the Punto Fijo historic bloc was under attack from all sides, epitomising Gramsci’s notion of a social order in organic crisis where ‘the old is dying but the new cannot be born’ (Gramsci 1971, 276).
As I outlined in Chapter 2, Gramsci argued that such crises are pregnant with radical possibilities. In order for the radical potentials to be fulfilled however, the subordinate classes needed to carry out a war of position which critiqued the common sense of the dominant hegemony. This critique aimed at transcending those common sense understandings that obscured from the subordinate classes their self-constructive powers. Integral to a radical war of position therefore, was a process of critical education whose aim was to construct an alternative emancipatory culture that could inform what Gramsci referred to as a ‘collective will’ – an ideological worldview conscious of humanity’s self-constructive powers. This collective will subsequently could form a common ground for revolutionary praxis and counter-hegemony.

The rise of Hugo Chávez in the context of the organic crisis of Punto Fijo represents an attempt to enact such a counter-hegemony. Indeed, in a 2007 speech, Chávez specifically characterised the Venezuelan context as one of an organic crisis, pointing out that ‘here, in Venezuela, let’s not forget that for several years we have been right in the middle of a true organic crisis, a true Gramscian crisis, a historic crisis.’ In this crisis, Chávez insisted, Gramsci’s insights about civil society as a site where the bourgeoisie ‘disseminate its ruling ideology to the social strata and the popular levels of society’ offered important insights about the need to colonise institutions of civil society in order to be able to combat the ruling ideology emanating from them (cited in: Maira 2007).

Accordingly, following his failed attempt to take state power through a ‘war of manoeuvre’ coup in 1992 – which nevertheless made him an icon of the poor – Chávez changed his strategy to a ‘war of position,’ following his release from prison in 1994. Engaging the masses, he became a radical organic intellectual, articulating their multifaceted and often disparate challenges to the social order into a coherent critique of
Punto Fijo common sense – not only in the neoliberal era, but stretching all the way back to its roots in the traditional civilisation-barbarism dichotomy. In this process, he sought to transcend the limiting self-understandings of the Venezuelan masses as ‘apathetic spectators [that] failed to control their destiny’ perpetuated by Punto Fijo elites (Ellner & Salas 2007, 7). Instead, he argued, ‘popular protagonism [is] the fuel of history,’ drawing attention to the key role played by *el pueblo* in historical struggles for justice and liberation, from the War of Independence to the uprising that ousted Pérez Jiménez (cited in: Cannon 2008, 741). Arguments to the contrary, Chávez contended, were a myth perpetuated by the elites in order to preserve their hegemony.

Based on this premise, Chávez constructed a comprehensive critique of the Punto Fijo historic bloc, accusing its leaders of diffusing the radical spirit that overthrew Pérez Jiménez by demobilising the masses and selling out to the foreign oil companies (Ellner 2008, 6). From the very beginning, he argued, Punto Fijo was based on a betrayal of democracy and nationalism, which produced ‘gangrenous politics,’ as corrupt elites focused more on competing for oil rents than on taking care of the people, who consequently slid deeper and deeper into poverty (cited in: Emerson 2011, 96). This betrayal became painfully obvious in the neoliberal era, as the dominant classes completely abandoned the people, labelling them lazy and savage, and offering them nothing but repression. The *Caracazo* was a common feature in Chávez’s discourse in this regard, held up as the ultimate moment of betrayal, when Punto Fijo became a ‘murderous regime’ – the triumph of elite barbarism against the defenceless people (Chávez 2005, 32).

In this radical war of position then, Chávez contested the founding myth of the Venezuelan social order – the civilisation-barbarism dichotomy. Instead of passive and barbarian masses, Chávez argued that the Venezuelan people ‘are one of the liberating peoples of the world’ (cited in: Cannon 2009, 57). This liberating spirit was reawakened
during the *Caracazo*, as *el pueblo* rejected the passive role assigned to it by the dominant classes, and instead mobilised to fight once again for democracy and social justice. Chávez presented his rise as the consequence of this struggle, and his own person as a conduit for the energy of the masses that would give it coherence and direction (Cannon 2009, 57). His ‘Bolivarian Revolution’ offered the masses the opportunity to create the ‘Fifth Republic’ where they, *el pueblo*, would become *el soberano* – the sovereign, rightful masters of their own destiny.

Thus, Chávez developed a radical critique of the popular common sense, which gave voice to the resentments buried there: about the exclusiveness of Punto Fijo; about the corruption of its elites and the impoverishment and repression of its people; and about the continuing salience of race and class cleavages in Venezuelan society. Chávez was able to harness these resentments and channel them into his political project, presenting himself as someone who understood the people and who would restore their dignity (Fernandes 2010, 85). In this sense at least, Chávez sounded much like the neoliberal organic intellectuals elsewhere in the region. However, unlike them, he sought to promote the masses as the key actors in the construction of a more democratic and socially just Venezuela. Such a process, he argued, required first and foremost the construction of an emancipatory alternative culture. Recalling Gramsci, he warned that:

> no matter how many political, economic and social changes we make, if we are not able to demolish the old customs, the obnoxious class distinctions, the obscene privileges, if we are unable to do this and generate a new culture of equality, solidarity and brotherhood, then everything will have been a waste of time.

(cited in: Robinson 2008, 336)

This alternative culture would be based on the values of solidarity, social justice, equality, protagonism and nationalism; rather than on the liberal commitment to self-
interest and individualism, and the traditional Venezuelan deference to foreign powers and modes of thought. Such an alternative culture could then inform a ‘Bolivarian’ collective will – a radical ideological worldview which would be the common ground on which to construct a new Venezuela.

As Gramsci argued, such a culture could not be created from scratch. Instead, it needed to be constructed out of the sediments of popular common sense, promoting progressive values embedded therein and drawing out secondary or latent meanings attached to key concepts like ‘democracy,’ in order to transcend the limiting, liberal meanings attached to them. Hence, constructing a new emancipatory culture did not imply imposing a ready-made, universal ideology on the masses from above. Rather, this culture needed to be embedded in the ‘national-popular’ context, reflecting the culture and traditions of the particular country, which could then be translated into universal notions.

Indeed, Chávez argued that the Bolivarian Revolution would not imitate foreign models but seek its roots in the country’s history and traditions (Lander 2008, 76). The values of solidarity, social justice, equality, protagonism and nationalism were already present in the popular common sense, he argued. Indeed, they had animated the numerous popular struggles for liberty and social justice in the country’s history. In this way Chávez contested the orthodox interpretations of the country’s past, which saw the period between Bolívar’s death and 1958 as a ‘lost century’ of barbarous caudillos and ignorant masses (Ellner & Salas 2007, 7). Instead, he offered an alternative reading of history, focusing on a number of iconic figures from the country’s past in order to illustrate the continuing persistence of these values in the popular consciousness.

The most important of these was the Liberator himself, Simón Bolívar. Chávez’s Bolívar was not the Bolívar of the dominant class discourse – the man of the Creole elite, and the symbol of liberalism, order and patriotism. Rather, Chávez drew on the
popular representations of the Liberator, stretching back to the War of Independence, as a symbol of the struggle for popular freedom and social justice (Fernandes 2010, 84). So (re)defined, Bolívar became the original inspiration for the values of social justice and liberation that the Bolivarian Revolution sought to promote, and the struggle to promote them became a continuation, and culmination, of his historical struggle (Emerson 2011, 104).

Another key inspiration was Ezequiel Zamora, the 19th century general who mobilised the peasantry against the oligarchy during the Federal War (1859-1863) Famous for his war cry ‘land, elections and horror to the oligarchy,’ Zamora represented not only the unity of the military and the masses, but also the promise of liberation and justice achieved through popular struggle – literal or otherwise (Gott 2005, 111; Cannon 2009, 56). The last in this trinity was Simón Rodríguez, Bolívar’s teacher and a radical Enlightenment thinker, who emphasised the redeeming value of education for the masses and stressed the importance of indigenous models of thought and practice. Rodríguez’s motto, ‘either we invent or we err,’ stood for Chávez as the inspiration for Venezuelans to construct their own worldview through the process of critical education (Sanoja 2009, 406). This commitment to indigenous models also highlighted the importance of nationalism in the popular consciousness, understood as the desire to liberate – through innovation, integrity and unity – not just the nation, but the whole of Latin America from dependence on foreign forces.

Together, these three figures represented for Chávez the ‘tree with three roots’ of the Bolivarian Revolution; the historical, intellectual and cultural foundation on which the Bolivarian collective will was to be constructed. The metaphor of the tree also signified the open and evolving nature of this collective will, suggesting it was nurtured by its environment, allowing other influences to seep in (Sanoja 2009, 401). Thus Chávez also rehabilitated the caudillo leader Cipriano Castro (1899-1908),
highlighting his confrontation with European creditor nations, which blockaded Venezuela’s ports in 1902, as a powerful example of nationalism. He also celebrated his own great grandfather, Pedro Pérez Delgado, who participated in uprisings against the Gómez regime and died in prison in 1924 as an example of the protagonism of el pueblo (Ellner & Salas 2007, 10-11)

Most importantly, from 2005 onwards, Chávez began to draw on influences from socialism, referring to the Bolivarian movement as ‘socialist,’ and defining the culture it promoted in terms of socialist values. This socialism was nevertheless still grounded in Venezuelan traditions, with Chávez arguing that ‘if Simón Bolívar had lived like Simón Rodríguez, for thirty years more...[he] would have been one of the precursors of utopian socialism, here in the lands of the Americas’ (cited in: Wilpert 2007, 239). The traditions of socialism stretched even further back, Chávez claimed, proposing that Venezuela’s indigenous people have ‘lived in socialism for centuries and they still do...we should ask them for help and to cooperate with us in the construction of the socialist project’ (Chávez 2006b). He projected too a fusion of Christianity and socialism, arguing that Jesus was the first socialist, while ‘the symbol of capitalism is Judas’ (cited in: Wilpert 2007, 239). Thus, with socialism redefined as a mode of thought embedded in the popular consciousness, Chávez urged Venezuelans to construct ‘21st century socialism’ – a new type of socialism that was not foreign and pre-defined, but home-grown and ‘constructed every day’ (cited in: Wilpert 2007, 239).

In order to construct such a project, Chávez set about designing the political, economic and social structures from which a war of position could be carried out. Key to this was a new constitution drafted in 1999 through widespread consultation with social movements and the whole spectrum of civil society. This constitution, which renamed the country the Bolivarian Republic of Venezuela, contained numerous innovations which would become institutional bases for the construction of the
revolutionary ‘collective will’. In 1999, however, it was seen as consistent with representative democracy and the capitalist economy, and thus not a threat to the basic structure of the social order. Accordingly, in the first two years of his term, Chávez enjoyed broad popularity, and was easily re-elected in 2000 for another six year term.

Things began to change in November 2001, when Chávez decreed a series of laws, some of which attacked the rights and privileges of capital and sought to subordinate them to the needs of the broader society. This sparked a four year period of open and at times violent struggle, as the dominant classes rejected Chávez’s legitimacy and attempted to remove him from power through any means. There was a failed coup in April 2002; an oil industry lockout from December 2002 to February 2003 which crippled the economy; and a recall referendum in August 2004.

Each time Chávez survived, thanks principally to the masses who took to the streets, factories and ballot booths to defend him. Each time he responded by further radicalising the Bolivarian project to repay this support. By 2005, with the opposition boycotting the elections for the National Assembly, Chávez consolidated his hold over the political sphere and most importantly PDVSA. While the struggle with the dominant classes continued and intensified on the terrain of civil society, Chávez was at least able to use the state and PDVSA to begin to construct the political, economic and social structures that would foster the Bolivarian collective will. I outline these structures in more detail below, before turning to an evaluation of the Bolivarian historic bloc as an alternative to neoliberalism.

The Political Structures of the Bolivarian Revolution

From its inception, the Bolivarian Revolution has recognised the centrality of praxis in the process of constructing an alternative culture. Article 62 of the 1999 Constitution thus states:
the participation of the people in the formation, execution and control of public affairs is the means necessary to accomplish the protagonism that will guarantee their complete development, both as individuals and collectively.

(Bolivarian Republic of Venezuela 1999)

Accordingly, the Chávez government has sought to foster popular participation in the political process in order to facilitate and encourage the values of democracy and protagonism in the popular common sense. Initially, the focus was on those measures in the constitution which enabled participation in the formal institutions of the state. Importantly, these included a ‘Citizen Power’ grouping that was to be independent from the other branches of government – its members nominated by civil society – and tasked with protecting the interests of society from the state. Citizens were also given rights to recall elected officials and initiate laws by referendum, and to promote social audits of any government activity. Overall, these ‘participatory’ measures sought to broaden citizen involvement in politics beyond the narrow polyarchic commitment to participation in periodic electoral contests.

However, for the most part, there was little popular enthusiasm for these institutions, or for the formal structures of representative democracy in general. The popular sectors mobilised in great numbers during elections or referenda when Chávez’s future was at stake, and formed grassroots organisations called ‘Bolivarian Circles’ to channel this mobilisation, but showed little interest in participating in the formal institutions of the state, which were perceived as dominated by the old elites (Raby 2006, 193; Robinson 2008, 339). Increasingly, the government recognised this, particularly after the Bolivarian Circles played a key role in organising the popular resistance that brought Chávez back to power during the coup attempt. Accordingly,
from 2003 onwards, the government introduced a parallel ‘protagonistic’ structure of governance, intended to give institutional expression to popular political and social concerns.

One of the most prominent ways of doing this was the establishment of Communal Councils, consisting of between 200 and 400 families in urban areas, and 20 families in rural areas, which integrated and institutionalised the Bolivarian Circles and other ad-hoc popular grassroots organisations. The Councils are tasked with creating committees and working groups to undertake social and structural projects in their neighbourhoods (Ellner 2008, 128). Proposals for the funding of these projects are put to various state agencies, and the funds are deposited into communal banks and administered collectively. The Communal Councils therefore, allow people to take an active role in planning, financing, administering and carrying out projects in their own communities, rather than having to rely on elected representatives and bureaucrats to do it for them. There have been some 20,000 of these Councils established since 2006, which now account for 50 per cent of all funding for local and regional governments (Gabriel 2008).

The Chávez government has sought to institutionalise this model beyond the local level by creating Communes: associations of Communal Councils, made up of spokespersons from each individual Council, which operate on similar principles in dealing with large-scale projects that impact on all of their members. By 2010, there were 184 Communes, carrying out 706 projects (Pearson 2010). There are also plans to create ‘Commune Cities,’ with the goal of creating a network of protagonistic structures at the various levels of government akin to the Paris Commune, in order to enable the political activity of the masses beyond the traditional institutions of the state (Albert 2005).
Another way of channelling and encouraging this popular energy was the creation of the United Socialist Party of Venezuela (Partido Socialista Unido de Venezuela, PSUV) in 2006, as a means of providing direct grassroots input into policy (Cannon 2009, 60). The aim here is to (re)create the party from the ground up, mobilising local activists into ‘battalions’ at the base of the organisational structure of the party. By June 2009, PSUV had 6.7 million members, representing close to half the registered voters in Venezuela, with 2.5 million voting in the primaries to elect candidates for the National Assembly elections in 2010 (Suggett 2009b; Ellner 2010a, 12).

In sum, these political structures have sought to institutionalise popular participation in the process of the Bolivarian Revolution. The overall goal is to embed the values of the social collective in the popular consciousness, so that it drives the revolutionary process. The high number of Communal Councils and Communes, and the large membership of PSUV indicate an enthusiasm for these structures. Likewise, the record number of previously marginalised Venezuelans who attend rallies, marches and other forms of political activity suggests that the values of protagonism and participation are becoming more embedded in the popular consciousness (Ellner 2010b, 81). This is reflected too in the high levels of satisfaction with democracy in the country, with the 2006 Latinobarómetro poll finding that it increased from 35 per cent of the population in 1998 to 57 per cent in 2006. This compares favourably to the regional average of 38 per cent; indeed, only Uruguay had higher levels of satisfaction (Latinobarómetro 2006, 76). The extent and permanency of this process, however, remains open for discussion, and I explore this further in the last section of the chapter.
In the economic sphere, the government has sought to foster the collective will by taking measures that enable the ‘human development’ of the population. Article 299 of the Constitution states:

the economic regime of the Bolivarian Republic of Venezuela is based on the principles of social justice, democratisation, efficiency, free competition, protection of the environment, productivity and solidarity, with a view of ensuring the overall human development and dignified and useful existence of the community.

(Bolivarian Republic of Venezuela 1999)

This focus represents a radical interpretation of the neostructuralist strategy of ‘endogenous development’ that I outlined in the previous chapter. While neostructuralism effectively represents a passive revolution of the neoliberal project; under Chávez its core concept of development ‘from within’ has been radicalised. It now represents not so much a search for an independent path to the neoliberal global economy, to be found within the nation through its own resources and efforts, but rather development via the capacities within human beings themselves – human development (Lebowitz 2006, 98-101).

The question of how this human development is to be promoted remains a contested one. Initially, Chávez railed against ‘savage neoliberalism,’ but remained convinced that it was possible to ‘humanise’ capitalism. However, as the dominant classes opposed his attempts to do so the Bolivarian Revolution became increasingly radicalised, leading to a growing inclination towards socialism. By 2005, Chávez was declaring that:
every day I become more convinced, there is no doubt in my mind...that it is necessary to transcend capitalism. But capitalism can't be transcended from within capitalism itself, but through socialism, true socialism, with equality and justice.

(cited in: Sojo 2005)

This was to be a ‘21st century socialism,’ which would, ‘reclaim socialism as a thesis, a project and a path, but a new type of socialism, a humanist one, which puts humans and not machines or the state ahead of everything’ (cited in: Sojo 2005). An essential aspect of this socialism is the notion of the ‘social economy,’ in which the profit motive is replaced by a focus on the satisfaction of collective needs, and whose purpose, according to Chávez, is ‘the construction of the new man, of the new woman, of the new society’ (Raby 2006, 181; cited in: Lebowitz 2006, 101).

Attempts to construct this new social economy include both ‘top-down’ measures carried out by the state against capitalist logic, and ‘bottom-up’ activities encouraged at the community level. In the case of the former, strategic sectors of the economy such as steel, cement, gold mining, electricity and communications have been nationalised, as have a number of smaller companies in food production and agriculture. Many of these companies became Social Production Enterprises (Empresa de Producción Social, EPS), tasked by the government with ‘privileg[ing] the values of solidarity, cooperation, complementarity, reciprocity, equity and sustainability ahead of the value of profitability’ (cited in: Piñeiro Harnecker 2009, 315). In particular, EPSs are required to dedicate 10 per cent of their net revenue to ‘social labour,’ which could involve funding projects that benefit communities in which they are located, engaging members of those communities in designing and carrying out these projects, or providing them with ‘dignified work’ and discounted products. Overall, the aim is to encourage companies to become embedded in their communities and to orient their activities towards the satisfaction of community needs (Piñeiro Harnecker 2009, 315-6).
This idea has been developed further since 2007, with the government expropriating companies that fail to live up to their social responsibilities. These have included food companies and supermarkets, which had evaded government price controls on basic staples; idle or unproductive land owned by large ranchers or corporations; unfinished housing complexes or banks which had gone bankrupt or committed unlawful transactions. The expropriated companies are subsequently reconstructed into EPSs, committed to social as well as economic goals.

Simultaneously, the government promoted the development of the social economy from the bottom up, by encouraging the development of cooperatives with incentives such as training, low-interest loans, tax rebates and preferential contracts; as well as by turning over certain expropriated enterprises to worker co-management. The establishment of cooperatives and co-managed enterprises sought to democratise the workplace and promote solidarity and production for the collective good rather than self-interest. Initially, there was great enthusiasm for these measures, especially the cooperatives, with 141,000 established within the first year of their promotion (Ellner 2008, 123). However, problems soon emerged. Out of the 141,000 cooperatives, it was estimated that up to half did not actually exist or were not functioning properly (Wilpert 2007, 78). Likewise, many co-managed factories continued to operate on capitalist principles, focusing on the self-interest of their workforce, rather than solidarity with the rest of society (Lebowitz 2006, 105). This highlighted the fact that left to itself, worker democracy would not automatically lead to a class consciousness, something which Gramsci was well aware of.

In response, the government stepped up the war of position, reemphasising the education of socialist values through a program named Misión Vuelvan Caras II for members of cooperatives, and through ‘Workers’ Schools’ in co-managed factories. It also further embedded these enterprises in their communities, by assigning the
Communal Councils a planning role in their production process (Piñeiro Hamnecker 2009, 332). In doing this, the government sought to promote the values of solidarity and cooperation not only within workplaces, but also between workplaces and society, encouraging production for use-value rather than exchange value – production not for individual self-interest and profit, but rather to satisfy communal needs. The overall aim, Chávez argued, was to change how people perceived themselves and their community, to highlight the ‘invisible thread that unites us to all,’ so that people did not see each other as atomised individuals but rather recognised the social relations that bound them together (cited in: Lebowitz 2006, 107). In sum, Chávez was urging Venezuelans to build ‘a communal system of production and consumption, to help create it from the popular bases, with the participation of the communities’ (cited in: Lebowitz 2006, 108).

The development of such a system has been slow and, for all the sensationalist headlines in the Western media, quite cautious. As the initial setbacks indicate, the construction of a fully blown radical society in Venezuela will require years if not decades of a sustained war of position to embed a class consciousness consistent with Chávez’s vision of a genuinely democratic state. In this regard the first priority has been to protect the slowly democratising political economy from the pressures of the neoliberal world order. Consequently, the Chávez government has implemented a number of anti-neoliberal (though not necessarily anti-capitalist) measures intended to make Venezuela more autonomous in the global economy. This represents an appropriation of neostructuralist logic, albeit for more radical purposes.

Chávez, for example, has reasserted Venezuela’s economic sovereignty through measures such as imposing currency controls to stabilise the bolívar, reintroducing tariffs and decreasing interest rates. This makes credit more available to small and medium-sized enterprises, as well as stimulating demand via state spending on
infrastructure and services. The increased spending has, in turn, been made possible by a reassertion of control over PDVSA, which has involved a long struggle with its management sector committed to neoliberal principles. Between December 2002 and February 2003, this resulted in a lock out of oil workers, but ultimately Chávez was able to stop the siphoning off of PDVSA’s profits to foreign subsidiaries, thus increasing government revenue. Revenues were also boosted by the high oil prices in the 2000s, partially as a result of the Iraq War, but also as a consequence of Chávez’s efforts to revive OPEC and strengthen its hand in setting prices.

Beyond these short-term measures, the government has also looked for ways to decrease Venezuela’s dependence on the neoliberal global economy in the long-term. In particular Chávez has sought to diversify the country’s export markets by expanding trade with China and other non-Western nations. He has also sought out new sources of investment and technology from state-owned enterprises in China, Iran, Russia, Belarus and Brazil, which are more willing to transfer technology to local Venezuelan companies than Western-based transnationals ever were. Important too has been the attempt to invest more of Venezuela’s oil revenue in other sectors of the economy and society, such as small scale agriculture. In this context Chávez has entered into a number of new trade agreements with his regional neighbours under the Bolivarian Alliance for the Peoples of Our America (Alianza Bolivariana para Los Pueblos de Nuestra América, ALBA).

The combination of these short and long term strategies has brought impressive results. Between 2003 – when the oil company lockout was defeated and government policies began to have a noticeable effect – and 2008, the country’s per capita GDP grew by 78.8 per cent, or 11.7 per cent annually (Weisbrot et al. 2009, 6). While the economy suffered a recession in 2009 and 2010 due to the Global Financial Crisis and drought-induced electricity shortages, it rebounded with 4.2 per cent growth in 2011.
(Robertson 2011). As a result, unemployment decreased from a high of 19.2 per cent during the oil lockout to 6.2 per cent in 2011, the minimum wage increased from Bs 120,000 in 1999 to Bs 614,790 in 2007, and the percentage of the population employed in the informal economy dropped to 40.4 per cent by 2008 (Weisbrot et al. 2009, 15; Venezuelaanalysis.com 2011; Cannon 2009, 87). The government used its growing revenues to fund a number of welfare programs, increasing real per capita social spending by more than 300 per cent between 1998 and 2006, and this expenditure continued to grow even during the downturn in 2009-10 (Weisbrot et al. 2009, 17; ECLAC 2011b, 43). The most important of these welfare initiatives were the ‘missions’ set up in poor neighbourhoods to provide free healthcare, education, heavily subsidised food and housing, and other benefits to the most impoverished sections of the population.

As a result, the incidence of poverty almost halved, from affecting 48.6 per cent of the population in 2002 to 27.8 per cent in 2010, while extreme poverty declined from 22.2 per cent to 10.7 per cent (ECLAC 2011b). Infant mortality declined by more than a third, malnutrition deaths were reduced by more than half, the number of Venezuelans with health coverage increased from 3.5 million in 1998 to 20.5 million in 2007, and the number of social security recipients more than doubled as benefits were extended to the informal sector (Weisbrot et al. 2009, 93; Cannon 2009). Overall, Venezuela’s human development index increased from 0.633 in 1995, to 0.735 in 2011, moving the country up 10 places in the human development ranking during the 2000s. The Gini coefficient measuring income inequality dropped from 0.50 to 0.412 between 2002 and 2008, and then fell a further 2 per cent in the next two years, giving Venezuela the most equal distribution of income in Latin America (UNDP 2010, 149; 2011, 132; Weisbrot & Ray 2010, 3; ECLAC 2011b, 14).
These results were crucial in winning consent for Chávez’s Bolivarian Revolution. Moreover, the revival of the economy and the improvement in living standards contradicted the neoliberal argument that only free markets could create prosperity, and illustrated instead the importance of the state in the development of the nation – re-emphasising the values of nationalism and sovereignty in the popular consciousness. Likewise, the government managed to cordon-off areas of social life such as health, education, social security and food provision from market logics, instead reaffirming them as ‘public goods’ to which all citizens were entitled (Fernandes 2010, 86).

In contrast to the neostructuralist understanding of social welfare as investment in ‘human capital’ intended to enhance the competitiveness of the poor, Venezuela’s welfare programs focus on human development as a means of radically transforming society. This involves promoting popular participation in the provision of social services, with people encouraged to form committees to administer the missions and integrate them into the life of their community. This also stands in stark contrast to the neoliberal preference for conditional cash transfer (CCT) programs as a means to alleviate poverty – implemented in Brazil for example – which involve top-down transfer of funds to the poor by the state (Lander & Navarrete 2007, 24). Rather than reinforcing a ‘passive recipient’ mentality, Venezuela’s approach reasserts the values of participation and solidarity in the popular common sense, as well as reiterating a sense of community amongst the previously maligned pueblo.

In sum, the government’s macroeconomic strategy is a crucial component in its efforts to construct the Bolivarian collective will, not only because it makes the country more autonomous in the global economy, but also because it challenges the neoliberal common sense that promotes market logic as the only effective modus operandi of economic governance and social life. Nevertheless, for all its radical intent Chávez’s
strategy continues to promote a broadly capitalist economy, which presents a number of challenges to the larger Bolivarian project, and I will say something more about these challenges at the conclusion of this chapter. In the discussion to follow, however, I want to touch on another crucial element of Chávez’s Bolivarian project, its emphasis on education – a key issue, as Gramsci recognised, in any shift to a radical ‘common sense.’

*Education and Society in the Bolivarian Revolution*

Perhaps the most important institution in Chávez’s radical war of position has been the new education system, the core aim of which is captured in Article 15 of the 2009 Education Law which states that the purpose of education in Venezuela is:

> to develop a new political culture based on protagonistic participation and the strengthening of popular power, the democratisation of knowledge and the promotion of the school as a space for the formation of citizenship and community participation, for the reconstruction of the public spirit.

(cited in: Suggett 2009a)

In this regard the Chávez government can be seen to be using education to create organic intellectuals for the Revolution, who can continue the ideological struggle into the future. It has done so, first and foremost, through extending basic access to education, especially to the poorest who were previously excluded from it. Under Chávez, in order to increase school and university attendance, fees have been abolished, and free meals, scholarships and public transport concessions provided. Overall, state funding for education has increased from 3.38 per cent of GDP in 1998 to 5.43 per cent in 2007, a percentage of which has gone towards establishing education ‘missions’ in poor neighbourhoods (Griffiths 2010, 613). These include *Misión Robinson*, which has
almost completely eliminated illiteracy by teaching over 1.3 million adults to read and write; *Misión Ribas*, which provides free secondary education to almost 2 million adult Venezuelans; and *Misión Sucre* which provided tertiary-level education, and was subsequently expanded into a new system of Bolivarian Universities (*Universidad Bolivariana de Venezuela*, UBV), with campuses across the country (Cannon 2009, 93-6). As a result, participation rates have increased across the board between 1998 and 2006: from 89.7 to 99.5 per cent for primary school children, from 27.3 to 41 per cent for secondary school, and from 21.8 to 30.2 per cent for tertiary education (Griffiths 2010, 614). Most importantly, there has been an increase in participation from the popular sectors, especially at the tertiary level, with the proportion of 20-24 year olds in higher education in the bottom four quintiles increasing by 4.4, 7.8, 5.2 and 8.2 per cent between 1997 and 2002 (Muhr & Verger 2006).

Beyond simply extending access, however, the government has also changed the nature of education, contesting its neoliberal conceptualisation as a commodity and a means towards individual social mobility (Muhr 2010, 50). Thus Article 102 of the 1999 Constitution defines education as ‘a human right and a fundamental social duty,’ at the service of society (Bolivarian Republic of Venezuela 1999). As the Ministry of Education outlines, the purpose of education is:

to form girls and boys with a reflective, critical and independent attitude...with a consciousness that allows them to understand, confront and verify their reality themselves; who learn from their surroundings, so that they are increasingly participating, protagonistic and co-responsible for their actions in the school, the family and the community.

(cited in: Griffiths & Williams 2009, 43)
In sum, the aim is to develop an ‘emancipatory’ knowledge which transcends the limiting common sense understandings of the world, in order to give people the intellectual means to transform their society. This has involved changing both what is taught and how it is taught. In 2007, a new Bolivarian Curriculum was proposed which, according to Chávez, would ‘create our own collective, creative and diverse ideology,’ and do away with the ‘colonial Eurocentric, ideological education,’ which ‘promote[d] consumerism and contempt for others’ (cited in: Carlson 2007b). The new curriculum would promote ‘socialist values,’ by focusing on four pillars: learning to create, learning to participate and cooperate, learning to value and learning to reflect (Carlson 2007b).

The specific details of this curriculum remain in development, but it is also the change in how schools and universities teach that is instrumental in instilling the Bolivarian collective will in the popular common sense. Here, the UBV’s have rejected the traditional focus on specialisation and fragmentation, which reduces education to inculcating in students the skills and competences necessary to function in the capitalist economy (Muhr 2010, 50). Instead, education is viewed as a holistic and integrated process, promoting transdisciplinary approaches that open up the relations between different disciplines in order to allow students to understand the complexity and interconnectedness of society, so that problems facing it can be diagnosed and overcome (Muhr & Verger 2006). Moreover, there has been an effort to overcome the traditional hierarchical relations of the classroom, in order to ensure that education is a dialectical process, rather than a top-down process of instruction. This recalls Gramsci’s insistence that the formation of a collective will requires ‘an active and reciprocal’ educative relationship in which ‘every teacher is always a pupil and every pupil a teacher’ (Gramsci 1971, 350). Accordingly, UBV courses pursue a ‘pedagogy of
horizontality’ in which the teachers act as motivators, facilitators and learners, and eschew rigid hierarchical relations with the student body (Muhr & Verger 2006).

Moreover, the government has insisted that schools and universities integrate with their communities, in order to ensure that they serve communal, rather than individual needs. Consequently, the 2009 Education Law sought to open up universities to protagonistic democracy by encouraging the participation of pupils and other community members in their management through the Communal Councils (Muhr & Verger 2006). This sparked an outcry about threats to university autonomy, leading Chávez to halt the implementation of the law, leaving the exact form of protagonistic democracy in the university undefined (Pearson 2011). In any case, the UBV’s have been taking their own steps to facilitate the links with their communities. The most important initiative here is the introduction of ‘Participatory Action Research’ into degrees, where groups of students from various disciplines undertake projects in marginalised communities. The students are required to utilise their knowledge to resolve structural and social problems within the communities (Griffiths & Williams 2009, 43-4). This not only embeds the students in the life of the community, reinforcing the link between the organic intellectuals and the masses, but also reinforces the praxis at the core of the Bolivarian Revolution.

The government has also emphasised that radical education cannot be confined to the formal system, but rather should take place in all social sites, all the time. Accordingly, Chávez has urged the population in a 2006 speech to become intellectuals themselves, to ‘study hard, read, discuss, hold round tables...hold meetings...we must go deep into the socialist issue’ (Chávez 2006b, 40). Within six months of the speech, over 700 study groups of between 10 to 30 members sprung up, committed to facilitating critical reading and writing activities within the Communal Councils, workplaces and individual study groups (Burbach & Piñero 2007, 194).
Summary: The Bolivarian Historic Bloc

The Bolivarian Revolution thus represents an attempt to construct an historic bloc in Venezuela that represents an alternative to the neoliberal order. It is first and foremost a subaltern project, led by the lowest section of the popular stratum – the informal masses – in a heterogeneous alliance with the working class, the military and the rural masses. Beyond this leadership group, the Bolivarian historic bloc remains much more inclusive than the neoliberal project, with large swathes of the middle classes benefiting enormously from the prosperity and stability achieved under Chávez. The bloc is grounded in an economic project which combines a state-led reassertion of economic sovereignty in the neoliberal global economy with the promotion of socialist enclaves that seek to foster a radical collective will in the popular consciousness. This project represents a challenge to the neoliberal subjugation to the unfettered capital flows and market logics.

In the same way that Chávez’s ‘social economy’ is aimed at challenging and replacing the capitalist economy, this political project of ‘protagonistic democracy’ aims to challenge and replace the polyarchic structures of the state. The whole structure is held together by an ideological project which puts forward a social vision of the future based on solidarity, social justice, democracy, nationalism and revolutionary change – in contrast to the neoliberal vision based on globalisation and insistence on the TINA principle. In general, the Bolivarian historic bloc challenges the neoliberal project and proposes increasingly clear and defined alternatives.

While this has resulted in Venezuela becoming an important actor in the struggles to construct alternatives to neoliberalism beyond its borders, especially in Latin America, the Bolivarian bloc is far from settled and complete. Indeed, it faces a number of pressures and challenges which put its prospects in doubt. In what follows, I
examine some of these pressures and challenges in order to evaluate the viability of the Bolivarian historic bloc.

The 'Global Capitalism' Problem

Venezuela continues to face pressures both from the neoliberal global economy and its own, often hostile, capitalist sector. Despite persistent efforts, the government has been unable to diversify the economy as much as it deems necessary, and the country’s most important link with the global economy remains the oil industry. The stability and prosperity of the economy thus remains dependent on a non-renewable resource whose price lies at the mercy of market forces. More generally, the reassertion of economic sovereignty has meant that, oil projects and bond issues aside, the flow of foreign capital into Venezuela has dried up, putting pressure on the government to continue investing in the economy. Similarly, since 2008 domestic capital has effectively gone on strike, refusing to invest in production in response to the radicalisation of the Revolution. This capital strike was at the heart of the recession years of 2009 and 2010, which led to a decline in government revenues. And, the subsequent reduction in government spending has led to some discontent amongst Chávez’s supporters.

Moreover, the government’s attempts to construct an alternative to neoliberalism have sparked resistance from the U.S. and the institutions of the neoliberal world order. The most important backlash was the 2002 coup attempt that came with the knowledge of, if not the direct involvement of, the U.S. Since then, Chávez has been under constant pressure from neoliberal forces, which have attacked the Revolution by labelling him as a dictator and disputing the success of his project. These global pressures highlight the importance of extending the struggle for an alternative beyond a single country, an issue which forms the focus of Chapter 7 as I explore Venezuela’s attempts to export the Bolivarian Revolution to the rest of Latin America.
The ‘Internal Ideology’ Problem

In addition to these external pressures, the Bolivarian Revolution faces a number of internal issues which threaten to derail its counter-hegemonic potential. These include, first and foremost, the persistence of the old, polyarchic state – aspects of which continue to be controlled by the dominant classes – which threatens to undermine and ossify the Revolution through bureaucratisation. While the construction of the parallel ‘protagonistic’ structures has aimed to remedy this, some of these structures remain rooted in individualist, self-interested practices, exemplified by instances of waste and corruption. This indicates that the process of cultural transformation is only just beginning, and a Bolivarian collective will is far from being attained.

This difficulty can also be seen in other internal tensions plaguing the Revolution. These include a split within the movement between ‘hard’ and ‘soft’ liners who disagree about the extent and overall direction of the Revolution; the lack of internal debate and democracy within PSUV, which threatens its role as the direct and dialectical link between the masses and the leadership; the continuing centrality of Chávez to the entire process, which hampers the emergence of other leadership figures in the movement and stifles innovation and debate; and the centralising and occasionally authoritarian tendencies of the government, which threaten to undermine the democratic nature of the process.

All these problems illustrate the difficulty of constructing a radical alternative culture in a short historical period. The danger remains that the growing pains will undermine support for the Revolution amongst the popular sectors, leading either to a descent into a reformist passive revolution or else an increasingly authoritarian project which loses its radical potential.

Beyond the movement itself, the problem is that the Bolivarian historic bloc has not attained hegemony across society. While Chávez’s core support comes from about
30 per cent of the population, there is a large contingent of people committed to neither the Revolution nor the opposition. These ‘ni-nil’ (neither nor) voters represent up to 50 per cent of the population according to some polls and constitute most of the middle class. While so far they have generally sided with Chávez, their support remains contingent on the continuing satisfaction of their material needs. This highlights the importance of continuing the war of position, to embed the Bolivarian project in the broader social consciousness.

As Gramsci argued, the construction of the collective will must involve the synthesis and unification of many dispersed wills, rather than simply the imposition of one ideological worldview on all of society. So far, the Revolution has not been overtly successful in incorporating the worldview and cultural outlook of the middle classes into the collective will on equal terms. This remains a necessary next step if the it is to survive in the long-term.

Lastly, the Revolution remains under threat from the dominant classes in Venezuela. Retaining much of their power both in the economy and civil society, they wage a daily, vehement and at times violent assault on the government and the counter-hegemonic project. In doing so, they have resorted to the old civilisation-barbarism dichotomy. Accordingly, Chávez has been presented in the dominant class discourse as an anachronistic caudillo with no respect for democracy, while his supporters have been derided as a barbarous mob – ‘Chávista hordes’ – who polarise society and threaten the stability of the nation. In contrast to this ‘uncivilised society,’ the dominant classes present themselves as the rightful representatives of ‘civil society,’ faced with an authoritarian government hell-bent on extinguishing freedom and democracy in a quixotic quest to impose ‘Cuban-style communism’ on the country.

At one level of course, this is simply a rehashing of the neoliberal ideological project and its ‘anti-popular’ strategies, which helps explain the elite’s failure to remove
Chávez from power. This ideological project offered little to the popular classes in the 1990s, and nothing has changed in that regard. However, since 2008, the opposition has found more traction by changing its focus to the government’s struggles to deliver high quality services and efficient administration. This strategy recognises a point well made by Miguel Tinker Salas, who observes that revolutionary leftist governments are often better at eliminating illiteracy than at removing rubbish from the streets or fixing potholes (Salas 2009, 149).

The government’s failure to reduce violent crime, the persistently high levels of inflation, the failure to construct enough houses for the barrio dwellers, and the rolling electricity outages in early 2010 have also contributed to a weariness and impatience amongst some government supporters. And while all this has to be faced and overcome, the privately owned media attack Chávez and promote capitalist consumerism as the only fundamental measure of social ‘progress’ (Salas 2009, 149). These shortcomings have only become more acute in the context of a prolonged recession, as the revenues necessary to uphold high quality of services have dried up.

In the campaign for the upcoming Presidential election in November 2012, some opposition candidates have recognised these popular frustrations and propose to resolve them. How exactly they would do so remains unclear, since they still lack a coherent alternative hegemonic project that could win widespread consent. Yet the current opposition campaign at least indicates an awareness of the need to construct such an alternative. The opposition unity candidate to face Chávez in the election, Henrique Capriles Radonski, has spoken favourably about measures undertaken by the Lula administration in Brazil, and argued that ‘in Venezuela, there is no space for right-wing governments...the new Venezuela has to be a social project, but a very different one from the socialism Chávez talks about’ (cited in: Daniel 2011). If socioeconomic conditions do not improve in 2012, such appeals to popular resentments and vague
promises of a ‘social project’ could form the basis for a ‘passive revolution’ that could threaten Chávez’s position in power. All this suggests that the organic crisis of the Venezuelan social order has not been resolved, that the success of Chávez’s Bolivarian revolution sometimes hangs by a thread, and remains contingent on the continuation and escalation of his war of position to (re)secure consent.

Nevertheless, whatever the outcome of this struggle, Chávez has succeeded in reawakening the protagonistic spirit in the popular common sense and has set in motion a profound process of cultural change in Venezuela. This newfound empowerment is best summed up by a Chávez supporter, María Rosa Guevdez, in the run up to the 2010 National Assembly elections, when she declared that ‘we’re [sic] not invisible anymore. He talks to us. He’s made us matter. What price can you put on that?’ (cited in: Carroll 2010).

In short, the ‘common sense’ of what is politically and socially possible in Venezuela has shifted dramatically since 1998. Even if Chávez loses power in 2012, the dominant classes will have to respond to the changed balance of forces he has provoked. It would be difficult to conceive a return to the Punto Fijo status quo without a significant amount of coercion that may not be feasible in the current context. Chávez’s true legacy in this sense is that he has opened up a space within which the struggle for a more socially just and democratic Venezuelan society can be waged, whether he remains in power or not. This legacy is nowhere more visible at the regional level, where Chávez has been the driving force in pushing for a regional alternative to neoliberalism. I will explore this process in more detail in Chapter 7, but before that, I turn to the other major response to the crisis of neoliberalism in Latin America – Lula’s passive revolution in Brazil.
Chapter 6: Lula’s Passive Revolution

In the previous chapter, I outlined Venezuela’s response to the organic crisis of neoliberalism that has permeated the region since the end of the 1990s. Hugo Chávez’s election was the first sign of the ‘Pink Tide’ backlash against the neoliberal project, and the Bolivarian Revolution has influenced some of the subsequent Pink Tide governments, especially in Bolivia and Ecuador. However, as I indicated in Chapter 4, the Pink Tide is not a monolithic project. Rather, it is a contested space with a variety of projects influenced by the uniqueness of their national contexts and their positions in the global economy. Of these, the other most prominent one emanates from Brazil — under the Presidency of Luiz Inácio Lula da Silva (Lula) and now his anointed successor Dilma Rousseff. In contrast to Chávez’s counter-hegemonic project, I suggest that Brazil is experiencing a ‘passive revolution’ that seeks to blunt the most severe socioeconomic consequences of neoliberalism while resecuring consent for the neoliberal historic bloc. However, in reconstructing the social order, Brazil’s passive revolution still opens up possibilities for a more radical transformation — especially at the regional level. I explore this regional dimension in the next chapter. In what follows, I explore Lula’s project in its national setting.

I begin with a brief outline of the socio-historical context within which the Brazilian passive revolution has been constructed. This entails a brief examination of the nature of the Brazilian social order, which, I argue, has been characterised since colonisation by a lack of radical rupture with the past. This heritage, I suggest, has been crucial to the neutralisation of the revolutionary potential of the Lula Presidency. After defining the nature of the Brazilian social order, I turn to the previous historic bloc — the ‘developmentalist’ project originally constructed in the 1930s and modelled on the import substituting industrialisation (ISI) strategy I outlined in Chapter 4. This
'developmentalist' bloc collapsed in the 1980s and paved the way for neoliberalism and the struggles that brought Lula to power in 2002. I explore these struggles in part three of the chapter, focusing particularly on two of its aspects. The first is Lula’s failed attempt to win power in the 1989 election on the back of a potentially radical socialist program. The second is the subsequent neoliberal project finally implemented by President Fernando Cardoso from 1994 onwards, albeit one which claimed to traverse a social democracy ‘Third Way’ between neoliberalism and populism influenced by the neostructuralist approach I outlined in Chapter 4.

I argue that, as was the case elsewhere in the region, this project managed to stabilise the country but was faced with a number of shortcomings which, by the early 2000s, reignited the organic crisis of the country’s social order. It was in the context of this crisis that Lula was elected President in 2002, this time to construct a passive revolution rather than a counter-hegemonic project. I examine this passive revolution, which entailed completing and expanding Cardoso’s neostructuralist project, in the third part of the chapter. In part four, I examine its success in resecuring consent for the dominance of transnational capital in Brazil and evaluate its significance as a ‘Third Way’ project. Its implications for the rest of Latin America are then explored in the next chapter.

The Historical Roots of Brazil’s Social Order

The roots of the Brazilian social order lie in the country’s colonial period, which was characterised by a conservative landowning elite, disdainful of the mass of the population but divided amongst itself, and an impoverished mass which for the most part passively accepted its fate. There were structural and geographical reasons for this. The vast size of the country and the agro-export orientation of its economy meant that each region tended to develop around a different export crop (Topik 1989, 83-4). This
meant that different regional elites often had more in common with their counterparts in their export markets than with other ruling groups elsewhere in the country (McCann & Conniff 1989, xv-xvi). These regional elites only came together and acted as a 'class' when their interests were fundamentally threatened, and then fragmented along regional lines once the threat passed away (Diniz 1989, 117). In such a context, no single, national hegemonic project could develop, particularly because there was no one group which could provide leadership in an historic bloc. Instead, the elites negotiated deals and bargains between themselves, while excluding everyone else.

This scenario was further exacerbated by the nature of the initial colonial project. Because Portugal lacked the resources to colonise a country the size of Brazil, it privatised the process, awarding royal concessions to private rulers and granting them extensive powers usually reserved for the state. In the very act of founding the nation, then, the line between private and public was blurred, and the richest sectors came to perceive Brazil as their private realm and the state as an extension of their personal power (Avritzer 2005, 40-1). In such a setting, civil society as a base for a hegemonic project remained underdeveloped, as the dominant classes felt no need to include the rest of the population in their private realms (Reiter 2009, 128).

Consequently, a wide gulf developed between the dominant classes and the masses. In particular, the dark skinned amongst the masses (povo) were perceived as less than human: childlike, lazy and primitive malcontents who were a threat to the social order (Levine 1989, 209). The elites also emphasised their European (Iberian) heritage to signify their superiority over the poor, uneducated, non-white masses (Reiter 2009, 142).

This rigid social hierarchy was further entrenched through the institutions of slavery and patronage. Brazil's sparse indigenous population made for poor plantation labour and over three million slaves were brought in from Africa, changing the ethnic
makeup of the country irreversibly. By the late 19th century, people of colour outnumbered whites by almost 2:1 (Nascimento 2007, 51). The importance of slavery to the country's social order should not be underestimated, as it entrenched a social hierarchy that openly disregarded merit, egalitarianism and social justice (Skidmore 2004, 139). The elites also ensured the passivity of the masses through the exchange of protection and benefits for obedience and loyalty. This patronage was a matter of survival for the masses, and thus encouraged them to 'know their place' (Nylen 2003, 15-16). Over centuries, this reality became deeply ingrained to the extent that it came to be seen as 'common sense,' and had a debilitating effect on the formation of a revolutionary mass consciousness.

This situation is of course not unique to Brazil. However, the lack of a revolutionary legacy in Brazilian history made it more acute than in the other countries in Latin America. Whereas elsewhere, potential counter-hegemonic movements could appeal to the memory of mass participation in wars of independence, the lack of such an experience in Brazil made such appeals much more difficult. As a result, Brazil became a country of perpetual passive revolution, defined by its 'Iberian heritage,' of paternalism, patronage and mass passivity.

The Developmentalist Historic Bloc

This social order persisted largely unchanged until the 1930s, despite the abolition of slavery in 1888 and the overthrow of the monarchy and proclamation of a nominally democratic Republic the following year. Indeed, the establishment of democracy actually strengthened the Iberian heritage, as political parties became vehicles for local elites to extend their clientelistic networks to the national scale (Nylen 2003, 16). However, incipient industrialisation, hastened by the decline of export markets for Brazil's agricultural goods brought about by the Great Depression, changed the balance
of forces in the country. With a new industrial elite challenging the old landed oligarchy, and a restive urban proletariat beginning to challenge its exclusion from the social order, an organic crisis engulfed the country (Kucinski 1982, 17; Carvalho 1992, 159).

As a result, the army installed Getúlio Vargas as president in 1930. Vargas would inaugurate what is referred to as the ‘populist era,’ which represented a passive revolution of the Brazilian social order that instituted significant changes in order to save it from collapse, while keeping much of the social hierarchy intact. The resulting ‘developmentalist’ historic bloc would persist in one form or another until the 1980s, and aspects of it would continue to dominate the Brazilian ‘common sense’ long after that.

The developmentalist historic bloc centred on ISI as the means to modernisation, assigning the state a central role in fostering industrial development and integrating the nation politically, economically and socially (Munck 1989, 26-7). The elite dream of social and national progress was now expressed in terms of industrialisation and economic modernisation, which would help transcend Brazil’s Iberian heritage, and assure that it fulfilled its potential as a future great power (Avritzer 2005, 43). The industrial bourgeoisie took the helm of the bloc as the country industrialised, but the landed oligarchy remained influential, and no major land reforms were undertaken (Kucinski 1982, 15).

The big change was the inclusion of the urban masses in the bloc, but in a way that effectively reinforced their subordinate position in the social hierarchy. In order to neutralise its potential threat, the Vargas regime coopted the working class by binding it tightly into corporatist structures, setting up a tripartite arrangement between the state, capital and the trade unions (Munck 1989, 28). This corporatist agenda also contributed to what Gramsci called transformismo; the cooption of the leadership of the subordinate
classes in the historic bloc in order to neutralise their potential threat. Under corporatist structures, working class leaders could count on lucrative employment in the labour bureaucracy, which ensured their loyalty to the system.

The passive nature of the ‘1930 Revolution’ was therefore clear. While aspects of the historic bloc were new, old social relations continued in the countryside and the working class was coopted and neutralised through the old Iberian tradition of patronage. Rather than representing a radical break with the past, the resulting historic bloc was a hybrid structure, rooted in the past but with modern trappings.

This developmentalist historic bloc was held together by an ideological project based on the ‘myth of racial democracy,’ which insisted that Brazilians were one people, one ‘tropical’ Brazilian race created by miscegenation (Reiter 2009, 39). In redefining race this way, the notion of racial democracy allayed elite anxieties about the ‘quality’ of the Brazilian povo by suggesting that it could be improved through racial mixing and cultural education (Nascimento 2007, 43; Levine 1989, 214-15). Whiteness continued to be the ideal, but if the povo could not be racially white, they could at least be taught to be culturally European (Reiter 2009, 43). Under racial democracy therefore, the relationship between the state and the masses changed from one based on anxiety and fear to one of paternalism, in which the masses were perceived as the underdeveloped raw material of the modern, integrated Brazilian nation (Levine 1989, 220-1). The masses themselves perceived the state in a paternal light, as a benevolent arbiter protecting their interests while ensuring the common good (Cohen 1989, 6).

The state, moreover, fostered a new national culture, appropriating aspects of popular culture – from samba to carnival – to reassure the povo that they were active and important contributors to the new Brazilian nation. The continuing poverty of the masses was explained as a product of Brazil’s unfortunate colonial history, primarily as the legacy of slavery. Since there was now no legal barrier to upward social mobility, it
would be only a matter of time before the suffering of the masses was ameliorated (Htun 2004, 64). In this way, the myth of racial democracy fostered a new ‘common sense’ amongst the masses, which entrenched itself in their consciousness and survived long after the populist regime disappeared.

As happened elsewhere in Latin America, this developmentalist historic bloc ushered in a new era of development and prosperity in Brazil, which for a period enjoyed widespread consent in the country. This was especially true during the Presidency of Juscelino Kubitschek (1956-1961) when the economy expanded significantly and the country seemed to be finally on the right track to fulfilling its potential. Yet only three years after Kubitschek’s departure the historic bloc descended into organic crisis, as the economy ground to a halt, inflation soared and strikes and protests by the subordinate classes multiplied.

The origins of the crisis lay in the shortcomings of the ISI model which would shortly become evident across the region. In particular, Brazil’s ISI could not keep up its initial productivity gains to continue creating new job opportunities for the swelling workforce, especially as the country remained at the mercy of foreign capital and creditors. At the same time, the corporatist structures and inclusive ideological project emboldened the masses to demand further improvements in their living standards, both in the cities and the countryside. In the ensuing clashes, the industrial bourgeoisie, as in the rest of Latin America, was unable to take on the mantle of the ‘hegemonic class,’ which, in Gramscian terms, is prepared to move beyond its own narrow ‘economic-corporative’ mindsets and make the necessary concessions to the subordinate classes in order to preserve its hegemony. Instead, fearing a ‘socialist’ revolution, the bourgeoisie turned to the army, which carried out a coup in April 1964.

The subsequent military regime lasted until 1985, and would play a ‘Caesarist’ role – preserving and deepening the developmentalist bloc, but skewing it in favour of
the dominant classes. Thus, state-led industrialisation as a means to modernisation continued as the strategy of development, even though more emphasis was placed on integrating Brazil with the global economy (Munck 1989, 67). The military regime set about restructuring Brazilian society along modern capitalist lines in order to prevent future crises of bourgeois hegemony (Munck 1989, 60). The brunt of the burden for such a restructuring was borne by the working class which was effectively sidelined during the dictatorship. Between 1960 and 1970, the real income of the poorest 50 per cent of the population increased by 1 per cent, compared with 72 per cent for the richest 5 per cent. During that period, the Gini coefficient measuring inequality increased from a relatively low 0.488 in 1960 to 0.574 in 1970; the highest ever recorded in Latin America at the time (Schmitter 1973, 201-2).

While the regime undoubtedly used coercion to impose its rule, it also tapped into various strands of societal common sense in an attempt to attain consent. It played on the fears and anxieties of the dominant classes by arguing that its rule was necessary to protect the country from the povo who had become ‘misled’ by the ‘alien ideology’ of communism (Skidmore 1973, 39). Likewise, the regime used the corporatist labour structures to demobilise the working class, while utilising the paternalistic relationship between the state and the masses to reassure them it still had their best interests at heart. Society, it argued, had to be ‘disciplined’ before social progress could be made towards the Western consumerist model (Cohen 1989, 44).

This approach worked in attaining at least acquiescence if not outright consent for the military’s rule as long as the economy continued growing, as it did during the ‘Brazilian Miracle’ (1968-1974) which saw annual GDP growth rates of 10 per cent. This enabled the middle and upper classes to enjoy the ‘Western’ lifestyle they craved while giving the masses the hope that they too might one day attain this standard of living (Diniz 1989, 112). However, this prosperity was unsustainable and largely based
on. Between 1974 and 1984, Brazil’s foreign debt increased from $18.5 billion to $100 billion (Haggard 1990, 193).

Once the flows of capital into the country began to dry up at the end of the 1970s, the whole project began to struggle. Between 1980 and 1983, the country experienced its most severe recession since the Great Depression, as the economy contracted by 6 per cent. Inflation hit 200 per cent in 1983, and per capita income fell by 15 per cent (Tyler 1986, 18; Mainwaring 1986, 170). Between 1978 and 1984, over 18 million more people slipped into poverty, and the overall poverty rate stood at more than 50 per cent (Amann & Baer 2002, 952). In this context, it became obvious that the regime had not resolved the problems plaguing the Brazilian social order, and questions arose about the need for the military to remain in power (Stepan 1989, 56). As opposition political parties made gains and an array of social movements began challenging the regime, the military negotiated a return to the barracks in 1985.

*The Organic Crisis of the Developmentalist Historic Bloc*

By this time, the crisis of the military regime had become a full-fledged organic crisis of the developmentalist historic bloc. State-led industrialisation as a means to modernisation was seen as a failure, as the state was still seen as deeply enmeshed in the Iberian heritage, serving the interests of its clientelistic allies rather than the country as a whole. Consequently, a strong anti-statist trend developed in Brazilian society. This occurred not only amongst the bourgeoisie, who resented state encroachment in the market; but also amongst the informal masses, anxious about the clientelistic networks which excluded them from the state. Anti-statism also developed in sections of the working class grouped in the ‘new unionism’ movement, who rejected the corporatist relationship between the workers and the state.
These disparate demands were united in the demand for ‘democratisation,’ which was broadly understood as curtailing the state’s oppressive hold on society and opening it up to participation by all of its members. Likewise, the second pillar of the historic bloc, the racial democracy theme, also came under critique, as its promises of equality and social mobility remained unfulfilled. This led to the racial democracy notion being widely challenged, with various commentators pointing to the still deeply ingrained racism in Brazilian society, the class based nature of Brazilian life and the desperate situation of the poorest under the military regime’s ‘market’ agenda (Guimarães 2005, 130).

The critique of the developmentalist ‘common sense’ thus came in two related but not necessarily compatible strands. There was a political strand which called for the democratisation of the state, and a socioeconomic one which demanded that the country’s ‘social debt’ be settled by confronting the shameful rates of poverty and inequality (Burity 2006, 68). Any new historic bloc would have to unite these two strands in the construction of a hegemonic social order. As the crisis unfolded, various social forces struggled to construct a project that would achieve this goal.

In the countryside, sections of the rural masses formed the Landless Workers’ Movement (Movimento dos Trabalhadores Sem Terra, MST) and began a campaign of protests and land occupations to bring about land reform, but its project was too localised to provide a viable alternative to the nation’s problems. Likewise, while supporters of the state-led developmentalism attempted to appropriate socioeconomic demands into the 1988 Constitution, the anti-statist trend within society meant that they subsequently failed to implement many of its aspects. In such a context, a neoliberal solution seemed more likely to succeed, and indeed, neoliberal forces united behind the first democratically elected president Fernando Collor in 1989.
Collor, a political outsider with no formalised support base and popularity steeped in personal charisma, fitted the mould of the new wave of neoliberal leaders in the region such as Menem or Fujimori. He proposed to end the organic crisis by tearing down the links of patronage between the state and its clientelistic allies, and dismantling its oppressive hold on the economy and society. In doing so, he tapped into the demands for democratisation, presenting himself as a champion of the ‘shirtless masses’ who would break down the old order based on the Iberian heritage and create a new one in which the povo would be able to thrive, no longer left out of the structures of power. This new order would be squarely based on the market and on harnessing the forces of globalisation in order to develop Brazil into a modern Western country.

In proposing such a solution, Collor faced Lula and the Workers’ Party (Partido dos Trabalhadores, PT) in the 1989 election. The PT searched for a way out of the crisis in a completely different direction. From its very inception in 1980 as a focal point for social movements opposed to the military regime, the PT had challenged many assumptions of Brazilian common sense. The Party’s main component, the new unionism movement – with Lula as its most prominent leader – rejected the centrepiece of Brazilian class relations, namely the paternalistic relationship between the workers and the state. New unionism sought instead to create organic links between union leaders and workers while demanding autonomy from the state and the right to strike and negotiate directly with employers (Keck 1989, 260-1). Likewise, as a party of the masses, the PT challenged one of key tenets of the Brazilian common sense; those which consigned the masses to the bottom of the social hierarchy because they lacked the knowledge or the connections necessary to thrive in Brazil’s political system (Keck 1992, 239).

Instead, the PT proposed a counter-hegemonic project based on the creation of a more just, equitable and democratic social order through the inclusion of the excluded,
and through a social agenda that promised to repay the social debt by focusing on the needs of the subordinate classes. Such an order could only be created by popular *praxis* aiming to create a ‘socialist’ order in which there were to be no exploiters and exploited, and in which workers controlled the means of production (Keck 1992, 245). Thus, the PT’s popular identity and its progressive ideological program seemed to unify two strands of the critique of the developmentalist common sense by proposing to democratise the state and bring about social justice through redistributive means.

However, the PT project ultimately failed and Lula lost to Collor in the 1989 election. This was chiefly due to the PT’s failure to carry out a comprehensive ‘war of position’ in a social order that, in the words of Gramsci, had not yet ‘developed all the forms of life which are implicit in its relations’ (Gramsci 1971, 177). Put simply, the PT underestimated the continuing conservatism of the masses as well as the strength of the anti-statist feeling in society. In particular, the PT’s call for expanding state control of the economy as a means to democratise the social order did not sit easily alongside demands for democratisation and the rejection of the state. Although Lula proposed to democratise the state by opening it to social movements, such nuances were lost on a society which increasingly saw expansion of state power as a return to the clientelism and patronage of the decaying developmentalist historic bloc (Moisés 1993, 586-7). In this situation, Collor’s promise to tear down the state which had failed to serve society was much more compelling.

In 1989 then there was the rhetoric of change but many of the old structural and political assumptions about Brazilian society persisted, stymieing genuine change. In particular, the continuing power of patronage relations and paternalism dominated the mindsets of the masses and undermined the PT’s calls for a radical *praxis*. As the most progressive social movement in the country, the PT wrongly perceived a similar state of
political consciousness in the downtrodden masses. But the povo overwhelmingly voted for Collor who represented himself as their champion.

The dominant classes also mobilised in order to preserve the social hierarchy. The threat of military intervention should Lula win hung in the air, and conservative forces rallied against Lula and the PT, labelling them a radical threat to the ‘moral and cultural values of the Brazilian family’ (Moisés 1993, 587). Thus, while the military regime may have gone, over 20 years of authoritarian rule had reinforced conservative values in Brazilian culture, allowing regressive forces to thrive and to undermine societal solidarity (Munck 1989, 65). In such a context the PT’s counter-hegemonic project based on social justice, equality and democracy struggled to penetrate the nation’s common sense.

Despite winning the election, however, Collor failed to resolve the country’s organic crisis. He lacked a clear project, and his mix of neoliberal reforms, such as trade liberalisation and heterodox measures such as freezing bank accounts to stem inflation only made the crisis worse. In his first year in office, the economy contracted by 4.3 per cent, inflation skyrocketed to near 3,000 per cent and almost 3 million more people slid into poverty. The following year the economy grew by an anaemic 1 per cent, before sliding into recession again in 1992 (Morley 1995, 24; Amann & Baer 2002, 950-2). In the absence of economic growth, Collor’s lack of a strategy to settle the social debt – other than waiting for the benefits of a liberalised economy to ‘trickle down’ to the poor – became highly problematic.

Thus, as the population realised that the ruling class still had no ideas on how to move the country forward, confidence in the neoliberal project began to wane. In 1991 only 32 per cent of Brazilians supported democracy as a preferred political regime, and eventually the country turned on the neoliberals, impeaching Collor the following year on charges of corruption (Linz & Stepan 1996, 172-3).
Thus, the neoliberals failed resolve the organic crisis at the first attempt. While this was partially due to Collor’s inexperience and inability to build a political coalition for his reforms, it also highlighted the need for a more coherent hegemonic project that could actually deliver on the promises of democratisation and settling the social debt. Such a project would be articulated, but not completely implemented, by Fernando Cardoso.

*Cardoso and the ‘Third Way’ Passive Revolution*

Fernando Cardoso, the ex-Marxist sociologist credited with inventing dependency theory, found a way out of Brazil’s organic crisis by implementing what he referred to as a social democratic ‘Third Way’ between neoliberalism and populism. As Finance Minister in 1994, and subsequently over two terms as President (1995-2003), he argued that ‘globalisation was the only game in town’ and that Brazilians needed to restructure themselves and their country to make the most of it. In particular, he argued that Brazil needed to focus on attracting foreign investment in order to modernise and develop the country, and increase the competitiveness of its economy (Rocha 2002, 7). This could only be done through ending hyperinflation and bringing macroeconomic stability to the economy, so that both foreign and national capital would feel confident enough to invest in the country. Doing so required drastic cuts in government spending, implementing austere monetarist policies, and privatising, deregulating and liberalising the economy.

In carrying out this restructuring, Cardoso denied that he was a neoliberal. Instead, while he insisted on the need to reduce the state’s role in the economy and unleash the free market he acknowledged that this would not be enough to adequately develop the country. In particular, he disowned the neoliberal notion that the state should play no meaningful role in the economy, claiming that the point of restructuring
was not to dismantle the state but rather to make it more effective in guiding the capitalist development. Likewise, he argued that while the market was ‘an inescapable reality...it is not the market that guarantees, as some by-product, a redistribution of rents, social welfare...or the cohesion of society’ (Cardoso 2001, 207).

Instead, Cardoso proposed an alternative ‘Third Way,’ based on neither pure neoliberalism nor old style populism, but rather on what he referred to as ‘social democracy.’ At the core of this social democratic Third Way was a renewed role for the state in the new, neoliberal context. Within this context, the state needed ‘to recompose its functions’ so that its mission would become ‘to provide a steering capacity for development.’ In particular:

the emphasis of government action [should] now be directed towards the creating and sustaining of the structural conditions for competitiveness on a global scale. This involves channelling investments for infrastructure and for basic public services amongst them education and health.

(Cardoso 2001, 263)

The mission for the state was thus now to ‘increase economic competitiveness, leading to increases in productivity and the rationalisation of the economy’ (Cardoso 1993, 287). Such a mission could not be carried out by the state alone, as it had been under ISI. Rather it needed to be implemented in ‘partnership’ with ‘civil society,’ fostering participation, transparency and democracy in its pursuit of development (Burity 2006, 74). Moreover, it included a social dimension, with the state assigned the role of redressing poverty and inequality through ‘responsible’ policies to redistribute income and provide social welfare. Doing so, Cardoso argued, was not only a question of morals, but also one of ‘social cohesion and balance,’ without which the country could not thrive in the new global age (Cardoso 2001, 207).
This social democratic project drew on many influences from the neostructuralist approach propagated by the Economic Commission for Latin America and the Caribbean (ECLAC) that I outlined in Chapter 4. Indeed, Cardoso had a lifelong association with ECLAC and expressed his admiration for its attempts to construct an alternative, Latin American, pathway to the global economy (Leiva 2008, 83). Cardoso’s Third Way thus represented a passive revolution in regard to the neoliberal project, with Cardoso prescient enough to see that neoliberal restructuring – as it was being implemented by the IMF and the World Bank in Latin America – was not sustainable. By proposing a more prominent role for the state in developing the country and in dealing with the socioeconomic costs of restructuring, Cardoso hoped to answer both the demands for democratisation and the repaying the ‘social debt.’ This for Cardoso was at the core of a reformulated social democracy in a globalised age. ‘Social democracy needs to realise,’ he argued:

that in order for there to be a chance of redistribution, there needs to be sustainable and continuing economic growth. It thus needs to oppose, in the name of economic growth and medium-term rationality, short-term demands that will interrupt the growth and thus in the long term the provision of the desired benefits in the future.

(Cardoso 1993, 286)

Cardoso thus provided a caveat to the implementation of the social democratic project, proposing that its realisation could only come after the demands of the market were met.

This caveat would prove crucial, as the hoped-for stability and growth never really arrived. Initially, however, the Plano Real implemented by Cardoso as Finance Minister, seemed to resolve the country’s problems. The centrepiece of the Plan was the introduction of the new currency, the real, whose value was pegged to the dollar. Together with a 9 per cent cut in government spending and a drastic rise in interest
rates, it had an immediate effect, with inflation decreasing from 50 per cent in June 1994 to 5.5 per cent the following month and 15 per cent annually in 1995, the lowest rate since 1957 (Roett 2003, 207; Flynn 1996, 401). Likewise, measures to liberalise the capital account meant that foreign investment poured in, more than doubling in the first year of the Plan (Rocha 2002, 21).

As a result, the economy stabilised and rebounded, expanding by 5.9 per cent in 1994 and 4.2 per cent in 1995 (Amann & Baer 2002, 950). The proportion of the population living in poverty dropped from 43 per cent in 1993 to 35.1 per cent in 1995, as the poor benefited from the end of hyperinflation (Vernengo 2007, 86). The instant success of the Plan turned Cardoso into the nation's saviour, sweeping him to the Presidency at the end of 1994. From there on, he oversaw the sale of public utilities, infrastructure and banks; additional reductions in government spending; and further deregulation and liberalisation of the economy.

However, while managing to end hyperinflation and bringing a measure of stability, the *Plano Real* actually made the country more vulnerable to external economic volatility. The Plan's success was predicated on attracting foreign capital, and indeed, foreign direct investment increased dramatically, from $700 million in 1993 to a high of $30.5 billion in 2000 (Rocha 2002, 21). Yet much of this investment was linked to the privatisation of state companies and services, and little of it involved significant new production initiatives that would diffuse the capital and technology necessary to boost the competitiveness of the Brazilian economy. In any case, the majority of capital flows into the country – some $23 billion between 1994 and 1999 – were in short-term speculative portfolio investment in government bonds and securities, which demanded ever greater incentives in the form of high interest rates (Rocha 2002, 9). This made the whole economy vulnerable to external shocks, as well as drastically increasing government debt, which grew from 13 per cent of GDP in 1991 to 44 per cent in 2003.
(Vernengo 2007, 84). The high interest rates also stymied economic growth, which averaged only 2.3 per cent during Cardoso’s two terms (Castro & Carvalho 2003, 482).

Such dismal results meant that the social democratic project was effectively postponed and Cardoso simply implemented an orthodox neoliberal project that relied on ‘trickle down’ promises to resolve the country’s problems. These promises, as elsewhere, were not fulfilled. While there was initial success in combating poverty by ending hyperinflation, progress stalled, with the proportion of the population living in poverty still at 35.1 per cent in 2001 (Vernengo 2007, 86). The Gini coefficient measuring income inequality persisted stubbornly around 0.60, the same level as in 1978. According to a World Bank Study in 2000, only two countries in the world had a worse index of distribution of income than Brazil (Amann & Baer 2002, 952-3). Likewise, unemployment more than doubled from 4 to 10 per cent in the 1990s, and by 2001 over half of workers did not have regular jobs (Schwartzman 2005, 141; Baker 2009, 180).

In these conditions, promises of repaying the social debt sounded rather hollow. So too did the discourse of partnership and openness to civil society, as domestic capital – struggling to compete with cheap imports from abroad – found the government unresponsive to its pleas to devalue the currency and aid industry. The devaluation finally came in 1999 when the government could no longer afford to protect the real from speculative attacks, but the underlying problems of debt, high interest rates, vulnerability and meagre growth remained.

As was the case elsewhere in the region, Cardoso’s main constituency was the middle class, which, after years of economic crisis, hyperinflation and declining consumption opportunities was willing to sacrifice demands for social justice in return for stability (Burity 2006, 69). The sudden availability of imports at cheap prices thus fuelled a ‘culture of contentment’ amongst the middle class which now became staunch
defenders of the neoliberal project and a crucial source of consent for it (Mollo & Saad-Filho 2006, 104). Recognising this, Cardoso was quick to link further neoliberal reforms to sustaining stability and consumption (Roett 2003, 212). This narrow social base for the fledgling neoliberal historic bloc was enough to give Cardoso a chance to live up to his social democratic promises, but by the end of his second term, there was growing scepticism from all sections of society about his intent in this regard (Panizza 2004, 472-3). In particular, there was a desire for the next government to make progress on repaying the social debt, as the Third Way project had initially promised, but not delivered (Panizza 2004, 472).

*The Evolution of the PT and the 2002 Election*

It was in this context that Lula and the PT confronted the neoliberals in the 2002 election. In the lead up to the election, the PT had a clear lead in the polls. This caused panic in international financial markets, which feared a ‘radical’ PT government. The resulting capital strike transferred $9.1 billion out of the country, and foreign reserves declined from $28.8 billion to $16.3 billion as foreign investors complained about a ‘lack of policy credibility in Brazil’ (Morais & Saad-Filho 2005, 8-9; Amaral et al. 2008, 146). Lula immediately came under pressure to explain his economic programme ‘to the markets’ and vouch for the continuation of Cardoso’s policies (Saad-Filho 2007, 18). He did so, promising to ‘honour all contracts,’ but this too failed to calm the markets, leading to a negotiation of a $30 billion loan from the IMF to stabilise the economy. Most of this loan would not be available until after the election and only if the new government conformed with IMF expectations (Mollo & Saad-Filho 2006, 113). Lula agreed to honour this agreement too. After more than a decade of opposition to the neoliberal project, he and the PT were now committed to its preservation.
This metamorphosis had in fact occurred much earlier. While the PT challenged Cardoso’s neoliberal policies throughout the 1990s, this did not bring any dividends. Lula lost both the elections against Cardoso by considerable margins and the PT was increasingly faced with the reality of neoliberal political and ideological power (Hunter 2007, 457-8). Moreover, neoliberal restructuring had undermined the core of the PT’s support in the union movement, which now concentrated on preserving existing jobs rather than on radical change (Samuels 2004, 106-7). Likewise, many of the social movements that made up the PT now adopted a broad neoliberal discourse and orientation (Samuels 2004, 1008).

These changes were reflected within the Party from the mid-1990s, when a more moderate faction, led by Lula, took control of the leadership, and began acknowledging the ‘benefits’ of the market (Hunter 2008, 24). Its counter-hegemonic project was increasingly redefined along the lines of Cardoso’s Third Way, with the goal of ‘socialism’ being replaced by a more moderate one of a ‘democratic revolution’ that emphasised political and social change rather than fundamental economic restructuring (Samuels 2004, 1003).

Much like Cardoso, the PT now sought to ‘humanise’ capitalism and built its 2002 electoral campaign around criticising his failure to do so (Bianchi & Braga 2005, 1753). Noting the growing societal weariness with Cardoso’s failure to live up to his promises, the PT pledged to facilitate popular participation in the political process and shift spending priorities towards the poor (Hochstetler 2008, 36). The flagship program in doing this was the Participatory Budget program (Orcamento Participativo, OP) implemented by a PT administration in the city of Porto Alegre, and based on Budget Councils that determined the priorities for the city’s spending each year. The OP allowed the party to trumpet its success in facilitating the inclusion of the excluded in the political process, even as issues of class struggle and development of revolutionary
consciousness disappeared from its discourse. Instead of seeking revolutionary change, the PT now presented itself as an ‘innovative’ and ‘responsible’ party with an impeccable ethical record.

By the time of the 2002 election then, it was this agenda that became the PT’s main message rather than demands for radical social change (Saad-Filho 2007, 15-16). Indeed, Lula went out of his way to make it clear that a PT government would not involve any radical ruptures in the status quo (Panizza 2004, 467-8). Instead, the PT aimed to become the true party of the Brazilian Third Way by fulfilling the promises of social democracy. It would do so within a market framework, by giving ‘opportunity for all’ Brazilians to advance up the social ladder that had been denied to them in the Cardoso years. Lula presented himself as the ‘great negotiator,’ who would negotiate a new social pact between the country’s various social forces bringing about national unity and prosperity (Miguel 2006, 132-3). Despite the threat of a capital strike and predictions of gloom should he be elected, this message resonated positively with the Brazilian population, and Lula was elected with 61 per cent of the vote.

The PT in Government (2003-)

For much of his first term (2003-2007), Lula disappointed many of the more radical elements in the PT. With $210.7 billion of debt, a current account deficit of $186 billion, and foreign capital ready to pull out of Brazil at the first sign of any ‘radical’ measures, Lula proposed that Cardoso’s ‘cursed legacy’ left him no option but to continue with his neoliberal policies (Rocha 2007, 145). Moreover, his economic team, drawn entirely from neoliberal circles, signalled its commitment to fiscal austerity by announcing a unilateral increase of the primary budget surplus target from the IMF-mandated 3.75 per cent to 4.25 per cent, which required a R$14 billion cut in spending, including R$5 billion in social spending (Flynn 2005, 1229). Similarly, neoliberal social
security and tax reforms that had eluded Cardoso during his Presidency were pushed through, and a commitment to high interest rates remained.

At the same time, however, the government put in a concerted effort to promote exports in order to accumulate foreign exchange so that the country would be less vulnerable to transnational capital flows. With rising demand from China creating a commodities boom, this strategy boosted Brazil’s trade surplus from $13.1 billion in 2002 to $46 billion in 2006 (Rocha 2007, 145). This allowed the government to service some of its debts in order to gain some breathing room, with foreign debt falling to 16.1 per cent of GDP in 2006. Likewise in 2005, the government paid off its debts to the IMF, further increasing its policy manoeuvrability (Morais & Saad-Filho 2011, 36). Yet, overall, the economy remained stagnant, with average annual per capita GDP growth of 1.4 per cent during Lula’s first term, and other indicators either stagnating or reversing (Weisbrot & Sandoval 2006).

What saved the government, and won Lula a second term, was its social policies, or more specifically the Bolsa Família program introduced in 2003. This program consisted of a stipend for families living on under R$120 a month, conditional on keeping children enrolled in school and ensuring they received basic medical care (Hunter 2008, 28). While the stipend was relatively small – between $5 and $33 depending on the number of children in the family – and cost only 0.5 per cent of GDP, it was symbolically important in that it represented a concrete step towards repaying the social debt, beginning with the most destitute, just as Lula had promised (Weisbrot & Sandoval 2006, 8). By 2006, Bolsa Família reached 11.1 million families, or about quarter of the population, and Lula won re-election largely thanks to the votes of the impoverished masses in the Northeast of the country, where Bolsa Família had the largest coverage (Hunter & Power 2007, 19; Zucco 2008).
Buoyed by its victory, and with an increasingly favourable macroeconomic context, the second Lula government (2007-2011) began to construct a new economic, political and social model to revive the country. In doing so, Lula insisted that the nation needed to rediscover its *auto-estima* (self-esteem, self-confidence), to find in itself its own path to prosperity. ‘Brazilians must understand,’ he argued, that:

the most important goal we have, at this point in time, is to rebuild our self-esteem, to believe in ourselves, to believe that we are competitive, and to discover where we can become competitive in confronting this world which is ever more globalised.

(cited in: Goertz 2011, 101)

This recalled the neostructuralist argument that Latin American countries needed to find their own, endogenous, development strategy ‘from within’ in order to thrive in the global economy, rather than following dictates from Washington and the international financial institutions. Lula’s strategy borrowed not only this sentiment but also other major principles from the neostructuralist approach, in assigning the state a more prominent role in developing the country and in alleviating the socioeconomic ills plaguing the country.

This new model proved very successful. The economy grew by 4.7 per cent annually in Lula’s second term, and overall, the annual growth rate of 4.2 per cent between 2004 and 2010 was more than double the rate during the previous quarter century (Doctor 2011; Serrano & Summa 2011). With high growth, unemployment declined to a record low of 4.7 per cent by 2012, as over 13 million new jobs were created during Lula’s two terms (Ray 2012; Morais & Saad-Filho 2011, 37).

Coupled with improved macroeconomic conditions, the government’s social policies meant that poverty declined from 35.8 per cent of the population in 2003 to
21.4 per cent in 2009, and extreme poverty more than halved from 15.2 per cent to 7.3 per cent. The Gini coefficient declined to 0.52 in 2009 and 32 million people entered the 'middle class,' which for the first time, constituted the majority of the population (Morais & Saad-Filho 2011, 36; Serrano & Summa 2011, 2). Moreover, Brazil weathered the Global Financial Crisis with relative ease, recording only a short recession in 2009, before bouncing back with strong growth and overtaking the U.K. as the world's sixth largest economy in 2011 (Inman 2011).

These results meant that Lula left office in 2010 with record high approval ratings of 80 per cent, and his protégé Dilma Rousseff was elected as his successor, continuing the PT project. Lula's achievement is to have succeeded where Cardoso did not, in completing the Third Way passive revolution and making neoliberalism hegemonic in Brazil. Given the significance of this achievement, I examine the economic, political and social features of Lula's model below, before discussing the potentials and shortcomings of such a passive revolution.

_Lula’s Economic Model: Improving Competitiveness in the Global Economy_

As I indicated above, the overall neoliberal macroeconomic framework of the Cardoso years remains largely unchanged under the PT government, in that spending has been kept in check and the Central Bank remains independent while continuing to uphold interest rates to combat inflation and attract foreign capital. However, the Lula and Rousseff governments also took steps to loosen the fiscal and monetary straitjackets by pursuing a more expansive policy to boost domestic investment and demand. Bypassing the Central Bank, this has involved the provision of affordable credit via the social and economic development bank, BNDES (_Banco Nacional de Desenvolvimento Economico e Social_), which in 2011 distributed some R$140 billion in funding to big and small businesses around the country (BNDES 2012). Likewise, in 2007 the government
implemented the Growth Acceleration Program, which committed $349 billion of funding for infrastructure, transport and energy projects between 2007 and 2010. Importantly, many of the projects were in poor neighbourhoods (*favelas*), not only providing long-absent basic infrastructure and services, but also employment for local inhabitants (Schaller 2008). In 2010, phase two of the Program was launched, with an additional $526 billion in funding between 2011 and 2014.

The government has also used other, non-financial, state-controlled enterprises to invest more in the development of the country, chief amongst them the oil company Petrobrás. It has also been able to induce private capital to do so by taking controlling stakes in key companies through public pension funds. By 2011, up to 20 per cent of Brazilian companies had federal or state governments directly or indirectly amongst their top five shareholders, giving the state a considerable say in their investment strategies. Most notably, in April 2011, government shareholders of the ostensibly private mining giant, Vale, forced the resignation of the company’s chief executive Roger Agnelli after he refused government calls to invest more in domestic steel and fertiliser industries (Leahy 2011). Thus while there has been no direct nationalisation of private companies, the government has found ways to influence some of them to follow its investment strategy.

Coupled with increasing investment, the government has also boosted demand, chiefly by increasing wages and benefits to the population in order to boost its spending power. Thus, between 2003 and 2010, the real minimum wage increased by 67 per cent and social security coverage was expanded from 45 to 51 per cent of the workforce. By 2010 the Bolsa Família program reached 11.4 million households (Morais & Saad-Filho 2011, 35). Coupled with programs to extend affordable credit to poor households, these measures boosted the spending power of the subordinate classes, driving demand and expanding the domestic market. The government has accelerated this trend through
more direct measures, in particular the massive construction projects for the 2014 Football World Cup and the 2016 Olympics that were awarded to the country under Lula.

Overall, the Lula and Rousseff governments have pursued an expansionist economic policy to develop the domestic market, reminiscent of Keynesianism, although with a different, more restrained role for the state as financier and regulator rather than intervener. This aim of developing the domestic market, however, is more explicitly tied to increasing competitiveness in the global economy, in line with the neostructuralist approach. Thus, both the Lula and Rousseff governments have articulated industrial strategies that focus on fostering innovation and boosting productivity as a means to move the country towards the 'high road to globalisation' characterised by value-added exports.

In order to achieve these goals, the government has used its investment and regulatory policies to steer private capital towards greater innovation and technological development. Hence, both administrations have provided subsidies, tax breaks and incentives for research and development and innovation within enterprises; promoted strategic partnerships between universities, research institutes and private firms; and encouraged technology transfers between companies, including foreign transnationals (Doctor 2009, 13).

The government has also encouraged innovation through preferential financing from BNDES, focusing especially on knowledge and technology intensive industries, valued for their spillover effects into the economy (Doctor 2009, 14-15). Likewise, the investment in infrastructure through the Growth Acceleration Program was also seen as crucial to facilitating the competitiveness of the economy. This focus on innovation and technological development has become even more pronounced under the Rousseff administration. Its industrial strategy, 'The Greater Brazil Plan,' released in August
2011, explicitly states that the government’s objective is to ‘increase the competitiveness of the domestic industry by encouraging technological innovation and value adding.’ To this end, the Plan commits the government to further measures to stimulate innovation and technological development, with a goal to increase spending on research and development from 0.59 per cent of GDP to 0.90 per cent by 2014 (Federal Government of Brazil 2011, 41-2).

Together with innovation and technological development, the second plank of the Lula/Rouseff strategy rests on increasing the productivity of the workforce in order to shift from labour-intensive to knowledge-intensive production. Accordingly, since 2005, government spending on education has trebled, and the number of university students has doubled. Moreover, the government has initiated programs that oblige universities to offer scholarships to people from poor and non-white families, in order to ensure that those at risk of sliding into the informal economy also have an opportunity to improve their skill sets (Anderson 2011). Likewise, social programs such as Bolsa Família are not only aimed at boosting the spending power of the poor but, by being conditional on children attending school and receiving basic medical checkups, also represent an investment in the ‘human capital’ of the next generation. The Greater Brazil Plan also sets an ambitious target of increasing the percentage of industry workers with at least secondary education from 53.7 per cent to 65 per cent by 2014 (Federal Government of Brazil 2011, 42).

The government’s economic model has therefore followed the neostructuralist approach in devising an industrial policy aimed at improving competitiveness by innovation and productivity. The continuing economic growth, rising prosperity, and increasing domestic consumption in Brazil suggests that, in the words of the IMF Managing Director Christine Lagarde, Brazil has found the ‘enviable sweet spot’
between sustained growth and reduced external vulnerability, allowing it to become ‘one of the world’s leading emerging markets’ (Lagarde 2011).

Nevertheless in terms of the Lula-Rousseff goal of shifting the country from the low to the high road to globalisation, progress has been mixed. Between 2002 and 2009, the share of manufactures in Brazil’s exports has dropped from 55 to 44 per cent, while the share of raw materials soared from 28 to 41 per cent (Anderson 2011). The commodity price boom driven by surging demand from China and India has made shifts away from commodities difficult, even with government incentives. China has become Brazil’s largest trading partner, with exports of agricultural goods and minerals to China rising from $2 billion in 2000 to over $56 billion in 2010 (Doctor 2011).

As Lagarde’s congratulations imply however, the neoliberal world order is becoming increasingly aware of Brazilian capitalist enterprise. A number of Brazilian companies have become prominent players at the global level. These include Vale, Petrobrás, the aircraft manufacturer, Embraer, and the steel manufacturer, Metalúrgica Gerdau (Doctor 2010). With government incentives, Brazil has become one of the global pioneers in the development of ethanol based on sugar cane and of flex fuel engine technology. The discovery of significant off shore oil reserves has also stimulated the development of a sophisticated domestic oil services industry, with Petrobrás playing the leading role (Moreno-Brid & Paunovic 2010, 205). Thus, while a reliance on primary commodity exports remain, the Lula-inspired economic plan based on a mixture of neostructuralist and neoliberal principles has seen Brazil make progress in the globalised economy.

_Lula’s Political and Social Model: Promoting Social Cohesion and Consent_

This economic strategy has been coupled with political and social policy innovations designed to engender widespread consent for it. The governments of Lula and Rousseff
have sought to foster such consent by facilitating the participation of all sections of society in devising and implementing economic development in Brazil, through public-private partnerships, state-society alliances and a range of corporate bodies. The most important of these bodies, the Economic and Social Development Council, was instituted at the very outset of Lula’s first term, and consists of representatives of business, unions, nongovernmental organisations and social movements who advise the government on overall policy direction (Petras & Veltmeyer 2003, 13).

The Council was represented by Lula as the fulfilment of his election promise to negotiate a new social pact between all sections of society in the pursuit of unity and prosperity. It has provided inputs into the government’s Education Development Plan and the Growth Acceleration Program (Doctor 2007, 177). Another body, the National Industrial Development Council, has been tasked with proposing policy measures to fulfil the goals of the Great Brazil Plan (Federal Government of Brazil 2011, 41). These bodies, and others like them, are represented by the government as forums for ‘dialogue’ between the state and society about the country’s development.

The PT governments have also worked diligently to build consent among the Brazilian masses, who may not sit in on Development Councils but who have been integrated and included in the social order to an unprecedented extent. The role of programs like Bolsa Família has been crucial in this regard, with those marginalised and ignored for so long, now recognised as citizens and granted rights just like the rest of society (Morais & Saad-Filho 2011, 38). In providing these kinds of inclusive opportunities to the masses, the government has rekindled old notions of the povo as the underdeveloped raw material of the nation, which is being moulded into shape by the state. Hence, the state once again appears as a benevolent arbiter, caring for the good of the nation as a whole, while taking particular care for the development of its most vulnerable. Lula did much to cultivate this image, representing himself as the father of
the poor and defenceless, and dubbing Rousseff ‘the mother of the nation’ during the 2010 election campaign (Carvalho 2007, 34; BBC 2011b).

The roots of the PT in the union movement, and its role as a party of the excluded, also play an important integration role, with the presence of people with humble roots at its core. This refers not just to Lula but to others such as his Environment Minister Marina Silva, who grew up in the Amazon as a child of rubber tappers and was illiterate until the age of 16. Her story signifies to the masses that this is ‘their’ government – a government that understands them and seeks to serve them. Moreover, the personal story of people like Silva or Lula himself, rising from grinding poverty to reach the summits of the social hierarchy signifies that the dream of social mobility and ‘the myth of racial democracy’ is still alive in the new Brazil.

*Lula’s Passive Revolution: Limitations and Potentials*

In short, the PT governments under Lula and now Dilma Rousseff has managed to consolidate and expand the neoliberal passive revolution begun by Cardoso, in the process securing consent for the overall neoliberal project, albeit with important reforms. The success of this passive revolution lies in expanding the historic bloc to include previously marginalised forces such as the subordinate classes and domestic capital, and managing to secure their consent for the neoliberal order through both material and ideological concessions. In this sense, Lula has fulfilled his promise made during the 2002 election to use his skills as the ‘great negotiator’ to bring the various sections of society together to propel the country forward.

For all this Lula’s project is very much a ‘passive revolution’ in the Gramscian sense. The masses have been integrated into the historic bloc but effectively as passive recipients of the state’s good graces. In this sense Lula’s paternal role reinforces the old patronage relationship between the state and the *povo* that worked so well during the ISI
era. The more radical social movements that backed Lula into power were largely
demobilised following his victory, with only the MST retaining an activist role. In this
sense, Lula’s presidency is the perfect example of what Gramsci called *transformismo*,
with the neoliberals co-opting the leadership of the subordinate classes in order to
preclude radical politics. Moreover, Lula’s Third Way represents a passive revolution in
the sense that, despite important reforms, the basic structure of the social hierarchy
remains unchanged, with dramatic inequalities based on race and class persisting.

And yet, there are discernible counter-hegemonic potentials within this Brazilian
passive revolution. As Gramsci argued, a passive revolution necessarily creates a new
balance of forces, and with it new possible points of tension and contradiction that can
provide openings for more radical theory and practice. The fact that such large numbers
of previously marginalised peoples have been integrated into the political system is, in
itself, a significant change, and for all the paternalism associated with this integration it
is creating expectations of progress and emancipation that might be difficult for future
Brazilian governments to simply ignore. There were significant strikes by unions during
2011 in response to government attempts to slow down wage growth in favour of the
neoliberal commitment to fighting inflation. In 2012, there is a threat of a general strike
by civil servants, the first since 2001, over the similar demands (Rabello & Simoes
2012). An ‘Occupy’ movement has emerged in São Paulo, that has forged links with
homeless groups in other parts of Brazil and elsewhere amongst global citizens
concerned with discrepancies between rich and poor in even the most ‘successful’
capitalist societies. Following the Global Financial Crisis Lula had some interesting
things to say about this that went beyond his normally cautious Third Way persona,
noting that:
[the] crisis was fostered and boosted by irrational behaviour of some people that are white, blue-eyed. Before the crisis they looked like they knew everything about economics, and they have demonstrated they know nothing about economics.

(cited in: Watt 2009)

Likewise, in November 2011, writing in the hallowed pages of *The Economist*, Dilma Rousseff argued that the events and aftermath of 2008 illustrated that ‘self-regulation is no substitute for government regulation’ and highlighted the need for a new ‘more balanced economic model’ worldwide (Rousseff 2011).

The point then is that while seeking to preserve the status quo, the Brazilian passive revolution is perhaps creating a range of counter-hegemonic potentials that might, in circumstances to come, be conducive to a more radical politics. Admittedly, the prospects of such radical politics seem distant in a country defined by a legacy of, at best, passive revolution. But they look more appealing beyond Brazil’s borders – at the regional level – where Lula’s passive revolution is part of a larger war of position seeking to define a regional alternative to the neoliberal world order.

In this context Lula’s project intersects in interesting ways with the more radical Bolivarian project promoted by Venezuela. In particular, there is a shared determination to achieve a ‘second independence’ of Latin America as a region free of outside, especially U.S. interference, and a commitment to ‘endogenous development’ based on notions of social justice, democracy, equality and solidarity. While these notions may have different meanings for the Brazilian and Venezuelan projects, they are significant themes in the regional war of position, with the radical forces driven by Venezuela attempting to draw out their latent radical potentials in order to build a counter-hegemonic regional order in Latin America. I explore this regional war of position, and its counter-hegemonic potentials in more detail in the next chapter.
Chapter 7: The Pink Tide: Counter-hegemonic Potentials

To this point in the thesis, I have examined two projects in detail within the Pink Tide phenomenon – Venezuela’s Bolivarian Revolution and Brazil under Lula and Rousseff – and evaluated their counter-hegemonic potentials. I observed that the former represents a potentially radical attempt to create a counter-hegemonic project, while Brazil’s project should be more accurately understood as an example of passive revolution intended to forestall counter-hegemony, even as it leaves openings for the possibility of more radical politics. Between them, Venezuela and Brazil represent the two leading projects within the Pink Tide, with its other members falling somewhere in between, depending on their own circumstances. The Pink Tide, therefore, is a contested phenomenon, with the Venezuelan and Brazilian projects interacting with each other at the regional level in the process of defining it.

This interaction has resulted in a process of regional integration, through which the Pink Tide as a whole seeks to construct a new regional historic bloc as an alternative to the neoliberal one imposed in the 1980s and 1990s. This recalls Robert Cox’s suggestion that the most favourable place to begin a counter-hegemonic struggle against the neoliberal world order is at the regional level, where there are spaces to construct alternative historic blocs from which a global struggle can be subsequently waged (Cox 1992, 40-1). Accordingly, my aim in this chapter is to examine the new regional historic bloc being constructed by the Pink Tide, and explore its counter-hegemonic potentials.

I begin by briefly reiterating the differences between the historic blocs constructed by Chávez and Lula, pointing out the differing counter-hegemonic potentials within them. These differences should not be thought of as insurmountable.
Indeed, I argue that the two projects share a number of similarities, including a desire for Latin American sovereignty and autonomy; a focus on issues of social justice, equality and deepening democracy; and a commitment to 'endogenous development.' These ideas, I suggest, are shared by all the members of the Pink Tide, forming the basis of a new regional 'common sense,' which perceives the neoliberal world order, and Latin America's role in it, in distinctly differently terms to the neoliberal 'common sense' of the 1990s. This reformulated common sense, I argue, forms the foundation upon which the Pink Tide states, Venezuela and Brazil in particular, have pursued a process of regional integration, creating a number of regional institutions and initiatives in the search for an alternative regional order.

I explore this new regional architecture in section two of the chapter, arguing that it can be thought of in terms of increasingly opening political, economic and ideological spaces within which Latin Americans have gained more autonomy from external pressures; most importantly from the U.S., the institutions of the neoliberal world order and transnational capital. This enhanced space for radicalism does not, of course, guarantee that a coherent counter-hegemon will take place. What it does offer, however, is increased opportunity for the more radical forces in this particular equation to articulate alternatives and win consent for them; such opportunities have seldom been afforded in the region's history. Accordingly, while this is a process that is only beginning, the construction of an alternative to the neoliberal world order is underway in Latin America. The extent to which this order will be counter-hegemonic will depend on the struggles yet to come, particularly, one assumes, with the U.S. I explore some of the implications of this entire process for U.S. hegemony in the concluding chapter.
The Contested Nature of the Pink Tide: Is it Really ‘Two Lefts’?

As indicated in Chapters 5 and 6, there are differences between Venezuela and Brazil’s Pink Tide projects and as such they offer varying counter-hegemonic potentials. The Bolivarian Revolution in Venezuela is based on a radical interpretation of the ‘endogenous development’ theme, as it attempts to articulate a development strategy ‘from within.’ This strategy not only seeks greater autonomy from the global economy, but also challenges the overall neoliberal logic of the past three decades by utilising the state as the central actor in driving economic activity. It also represents a direct rejection of the ‘trickle down’ convictions of the neoliberal project; enlisting the state in the provision of social services and fencing them off from market logics. More profoundly, the Venezuelan revolution also aims to construct alternatives to the capitalist mode of production, experimenting with a ‘social economy’ based, not on considerations of profit, but on cooperation, solidarity and community.

In the political sphere, the Bolivarian Revolution rejects the neoliberal model of polyarchy and ‘passive revolution,’ which severely limits popular participation in politics, and projects a radical system of ‘protagonistic’ democracy. And in line with Gramscian counter-hegemonic thinking, Chávez’s revolution challenges the cultural and ideological submission of the subordinate classes under polyarchy by promoting a radical ‘collective will’ that seeks to facilitate their praxis in the construction of a counter-hegemonic alternative to the current world order.

By contrast, the Brazilian passive revolution offers a more modest alternative. It too seeks greater autonomy from the global economy in order to articulate a neostructuralist development strategy ‘from within’ – a strategy that rejects the neoliberal faith in the perfect workings of the market and assigns the state a more prominent role in the economy and society. In particular, the state is charged with
increasing the competitiveness of the national economy and firms within it, in order to take the country to the ‘high road to globalisation’ characterised by value-added exports, high wages and resilience in the face of external forces. Moreover, Brazil’s model assigns the state a central role in providing social assistance to the masses as part of an ideological project based on notions of political, social, racial and cultural inclusion. Consequently, by challenging the neoliberal faith in the market and reasserting the role of the state, Brazil’s passive revolution represents an alternative to the neoliberal project as it was propagated in the region in the 1990s.

However, this alternative is significantly less radical than the Bolivarian Revolution. While Brazil’s project seeks to change the way in which the country is integrated into the global economy, and departs from the neoliberal path in doing so, it does not question the positive nature of market-based globalisation, nor does it seek radical alternatives to it. Instead, in line with contemporary ‘passive revolution’ strategies, the power of the state is used to complement capitalist market forces rather than challenge them, and the overriding goal of all state policy is the improvement of market ‘competitiveness.’ Likewise, the major social assistance programs in Brazil are conceived of and operationalised within a market framework, representing an investment in the ‘human capital’ of the masses in order to make them individually more competitive in a market economy, rather than seeking to engender in them a class conscious radicalism.

Thus, while Brazil and Venezuela depart from the neoliberal consensus of the 1990s, and seek to articulate more inclusive and socially just historic blocs in so doing, their counter-hegemonic potentials are distinctly different. Their relationship however should not be conceived of in dichotomous terms – as a stark choice between ‘reform’ or ‘revolution,’ or as a simple difference between ‘good’ and ‘bad’ leftism. Rather, I propose, it can be more accurately understood dialectically, in terms of the potentials for
radical transformations that arise out the interaction of the two projects. After all, as Gramsci argued, the creation of a radical ‘collective will’ is a process through which ‘the multiplicity of dispersed wills, with heterogeneous aims, are welded together with a single aim, on the basis of an equal and common conception of the world’ (Gramsci 1971, 349). A similar point is made by Chávez, who in light of the attempts to divide Brazil and Venezuela – and the Pink Tide in general – into ‘good’ and ‘bad’ lefts responded that:

nobody can ask me to do the same as Fidel does, the circumstances are different; like Lula cannot be asked to do the same as Chávez, or Evo cannot be asked to do the same as Lula...each has their own circumstances, but we walk in the same path, in the same direction.

(Chávez 2006a)

This path and the direction in which it is heading are, I suggest, manifested in a developing ‘common sense’ that Venezuela, Brazil and the other members of the Pink Tide all share. This common sense is characterised by a renewed emphasis on regional identity and unity which spurs the search for a sovereign ‘Latin American’ space increasingly autonomous from external forces. It is also characterised by a desire to deepen democracy and create more inclusive regional and domestic social orders, and a commitment to finding an alternative development strategy ‘from within’ that assigns the state a more prominent role in addressing the subordination of Latin America in the global economy. These shared perceptions are substantially different from the ‘common sense’ of the 1990s, which deferred to market forces, accepted U.S. hegemony, submitted to transnational capital and was underpinned by the ‘TINA’ principle. Instead, the countries of the Pink Tide aim to define their region on their own terms, and
show a commitment to the principles of autonomy, social justice, democracy, solidarity and cooperation in so doing.

Thus, the Pink Tide – even in its more moderate forms – opens spaces for radical politics where before they did not exist. And while this is a process that is only beginning and faces major difficulties, it nevertheless offers the possibility of more genuinely radical regional politics in the years to come. In the remainder of this chapter, consequently, I outline the process of Pink Tide regional integration in more detail, concentrating on the political, economic and ideological spaces it has created, the potentials it offers and the difficulties it faces.

Political Spaces

The shared desire for Latin American autonomy and sovereignty has spurred the search for political spaces in which Latin American countries can manage and regulate regional politics with greater autonomy from the U.S. As the Ecuadorian President Rafael Correa remarked in December 2011:

we need deep changes to the current system and build a Latin American model, where we can discuss the problems of the region in the region and not in Washington and according to our own circumstances.

(cited in: MercoPress 2011a)

Accordingly, over the past decade, the Pink Tide has created a number of regional institutions with this aim. These include the recently inaugurated Community of Latin American and Caribbean States (Comunidad de Estados Latinoamericanos y Caribeños, CELAC), which brings together the countries in the Western Hemisphere apart from the U.S. and Canada. CELAC aims to supersede the American-controlled Organisation of American States (OAS) as the preeminent political body for Latin America and the
Caribbean. The regional institutions also include the Union of South American Nations (Unión de Naciones Suramericanas, UNASUR) launched in 2008, which groups together the 12 independent nations of South America. Its aim is to ‘develop an integrated regional space in the political, economic, social, cultural, environmental, energy and infrastructure dimensions, for the strengthening of Latin America and Caribbean unity’ (UNASUR 2008). Lastly, there is the Bolivarian Alliance for the Peoples of Our America (Alianza Bolivariana para Los Pueblos de Nuestra América, ALBA), which grew out of a trade pact between Venezuela and Cuba in 2004 to also include Antigua and Barbuda, Bolivia, Dominica, Ecuador, Nicaragua and Saint Vincent and the Grenadines. According to the Venezuelan government, ALBA is a ‘scheme of regional integration based on principles of cooperation, solidarity and complementarity’ (cited in: Hellinger 2011, 53).

Within these bodies, Latin American countries have pursued a regional political agenda that distances itself from Washington’s single-minded focus on furthering the neoliberal project via the Free Trade Area of the Americas (FTAA) and pursuing the Wars on Drugs and Terror. The FTAA was dramatically defeated at the Summit of the Americas in Argentina in 2005, and its free market vision rejected in favour of an integration project focused instead on strengthening political, economic and infrastructural links. Thus, for example, UNASUR announced in December 2011 the creation of a $13.7 billion fund to be spent over the next decade on infrastructure and energy integration in order to further facilitate trade and commerce within the region (MercoPress 2011d). Likewise, the U.S. insistence on fighting ‘narcoterrorism’ has found little traction in South America outside of Colombia, with Bolivia and Venezuela both ejecting the U.S. Drug Enforcement Administration (DEA) from their countries, Ecuador refusing to renew the lease on a U.S. airbase in Manta, and Argentina and Mexico decriminalising personal drug use. This mood is reflected across the region,
with UNASUR setting up a South American Defence Council, (SADC) whose aim, in the words of the Ecuadorian Defence Minister Javier Ponce, is to elaborate ‘a regional defence strategy outside of the tutelage umbrella from the United States’ (cited in: *MercoPress* 2011c).

The Defence Council was created in response to U.S. plans to expand its military bases in Colombia, ostensibly to fight the War on Drugs, but – as leaked military planning documents reveal – to also ‘conduct full spectrum operations throughout South America’ against ‘anti-U.S. governments’ (cited in: Lindsay-Poland 2010b, 23). Establishing the SADC has been one way to reduce the role of the U.S. in the security of the region, and to draw Colombia away from the American security orbit. Indeed, Colombia’s new President, Juan Manuel Santos, has chosen not to ratify the agreement with the U.S. and Colombia has joined the SADC.

Another crucial area where Latin Americans have rejected the U.S. vision for the region has been the widespread rejection of the ‘good’ and ‘bad’ lefts scenario. This has seen the designated ‘good’ members of the Pink Tide ignoring U.S. attempts to isolate the ‘bad’ states, and opting for closer regional integration. Thus, in 2004, Venezuela was invited to join the Common Market of the South (*Mercado Común del Sur*, Mercosur), led by Brazil, on the eve of the recall referendum put forward by the opposition to try to force Chávez out of power. In 2005 the region blocked American attempts to set up a ‘democracy monitoring mechanism’ at the OAS aimed at attacking Chávez. As Lula’s top foreign policy adviser Marco Aurélio Garcia remarked in response to pressures to condemn Venezuela for not renewing the broadcasting license of the RCTV channel in 2007: ‘the projects of integration in South America and of expanding Mercosur are too important to justify a decision by Brazil to cool relations with Venezuela’ (cited in: Carlson 2007a).
Likewise, during an opposition instigated rebellion against the Morales government in Bolivia in 2008, UNASUR gave Morales unconditional support and put pressure on the rebels to negotiate with the government, even as the U.S. was seeking to undermine Morales by announcing that Bolivia had ‘failed demonstrably’ to meet its obligations in the War on Drugs. As the rebels backed down and their massacre of 11 government supporters in the state of Pando was revealed as a ‘crime against humanity’ by a UNASUR investigation, the American attempts to paint the rebels as defenders of democracy against a ‘narcoterrorist’ government were further rejected (Achtenberg 2011). Furthermore, the region has challenged the American agenda on a number of other issues, including the 2009 coup in Honduras, where all the countries in the region opposed the coup government just as the U.S. was trying to legitimise it. The new regional institutions have also included Cuba, and called for the lifting of the embargo on the country.

Thus, the process of regional integration has had some success in creating more autonomous political spaces in the region and more radical attitudes towards the traditional U.S. hegemon. This is important, because, as the Bolivian case shows, the support of other Latin Americans can be politically and strategically crucial in the developing struggle for autonomy and self-determination in the neoliberal world order. In particular, Venezuela has received support from its neighbours that has helped it overcome U.S. attempts to undermine the Bolivarian Revolution. To the dismay of policymakers in Washington, signs of division within the Pink Tide are becoming harder to find, as a shared common sense perception of regional sovereignty and autonomy drives Pink Tide members towards a powerful sense of unity and democracy.

The differences within the Pink Tide remain significant nevertheless. The Brazilian understanding of deepening democracy, for example, relies on fostering ‘dialogue’ with ‘civil society’ in order to facilitate social cohesion and consent for the
neostructuralist goal of improving competitiveness in the global economy. Thus, links with civil society groups are understood as a way of embedding the neostructuralist logic in the participants of the dialogue rather than facilitating active and direct participation in the political process. This attitude towards democracy can be seen most clearly in UNASUR; Article 18 of the Constitutive Treaty, which deals with ‘citizen participation,’ proposes that such participation ‘will be promoted by means of dialogue and interaction...with the various social actors, establishing effective channels of information, consultation and supervision in the different bodies of UNASUR.’ It also commits UNASUR to promoting mechanisms that ‘ensure that the proposals submitted by civil society receive adequate consideration and response’ (UNASUR 2008). Effectively, and because of the influence of Brazil in the region, the model of regional governance pursued by UNASUR remains rooted in politics from above, which may invite and consider ‘civil society’ input, but which sees little space for active and direct popular participation from below.

By contrast, the Venezuelan notion of democracy focuses more on facilitating such participation in order to enable a popular praxis. This understanding of democracy is encapsulated in ALBA, whose founding charter was based on the proposals of the Hemispheric Social Alliance, a grouping of Latin American social movements resisting the FTAA (Saguier 2007). Subsequently, a Social Movements Council was set up as ‘the principal mechanism that facilitates integration and direct social participation’ of social movements in ALBA (ALBA 2010c). The Council enabled the participation of social movements in the summits of ALBA and in the various developmental and welfare projects pursued by the organisation, encouraging them in particular to ‘take a step forward and be incorporated into the development of economic and social projects for [the] concrete construction of alternatives to predatory capitalism in our continent’ (ALBA 2010a).
Accordingly, two different models of regional governance exist within the Pink Tide. While UNASUR is the less radical of them, the existence and success of ALBA as a regional institution with grassroots participation puts pressure on it to develop similar mechanisms. Indeed, social movements across the region, encouraged by Chávez, have been demanding greater participation in UNASUR, and were involved in a ‘dialogue’ with the organisation during its key foundational summit in Cochabamba in 2006. Likewise, at the 2012 World Social Forum in Brazil, the leader of Brazil’s Landless Workers’ Movement (*Movimento dos Trabalhadores Sem Terra*, MST) emphasised the need for bodies like UNASUR to open themselves up to popular participation in the way that ALBA has in order to facilitate ‘popular’ as well as inter-governmental integration (cited in: *Venezuelanalysis.com* 2012).

These developments point to the fact that the nature of regional governance is being contested, albeit using different definitions of democracy. Which definition will prevail will depend on the success of popular organisations such as the MST in putting pressure on their governments and on regional institutions to open themselves up to popular participation. The Venezuelan project, both domestically and regionally, offers a powerful example which can be appealed to and invoked as a model. Some countries, most notably Bolivia and Ecuador, have drafted and ratified new constitutions inspired by the Bolivarian constitution in Venezuela. Whether this can be translated into a radical regional governance model per se remains to be seen. However, the fact that the process of regional integration shares a ‘common sense’ perception of the need to deepen democracy, and that the definition of democracy itself has been liberated from the neoliberal equation of it with polyarchy, opens the possibility for pushing that definition in more radical directions.
In economic terms, the shared common sense notion of ‘endogenous development’ has driven the Pink Tide states to seek an economic model that reduces the region’s dependence on the U.S., foreign capital and international financial institutions (IFIs) such as the IMF and the World Bank, in order to be able to build more equitable social orders. They have done so through a number of common domestic policies, as well as through regional economic integration measures intended to make Latin America as a whole more autonomous in the global economy.

The domestic policies include attempts to decrease the reliance on the U.S. as a trading partner and a source of investment. In this regard, the rise of China has been a key factor. China’s hunger for natural resources has not only opened markets for goods in which Latin America has a comparative advantage – particularly agricultural products, minerals, hydrocarbons and ethanol – but it has also greatly improved the terms of trade of these goods, with the export prices of Latin American products more than doubling between 2002 and the first half of 2008 (Hershberg 2010, 242). Overall, between 2006 and 2010, Latin America’s exports to China grew at an annual rate of 33.5 per cent, which is five times faster than for its exports to the world overall. For some countries, amongst them Brazil and Chile, China has now become the biggest trading partner, surpassing the U.S. It is expected to overtake the European Union as the region’s second largest export destination by 2014 (ECLAC 2011a).

With increased trade, moreover, has also come a surge of investment capital, with China’s foreign direct investment (FDI) in Latin America totalling $15 billion in 2010, making it the region’s third largest investor after the U.S. and the Netherlands (ECLAC 2011a). The Pink Tide countries have also actively sought out trade and investment opportunities with other countries of the global South, aiming to create, in the words of the Brazilian government, a ‘new world trade geography’ amongst
peripheral countries (Almeida 2009, 172). The advantage of such a diversification lies not only in reducing reliance on a single, often inaccessible market, but also in the fact that economic links with other Southern countries do not come with the kind of conditionalities and pressures for neoliberal reform that accompany economic exchanges with the U.S. Moreover, state-owned enterprises from other peripheral countries have proved more willing to diffuse technology than Western transnationals.

Along with these individual measures aimed at greater diversity in the global marketplace there have also been collective initiatives taken at the regional level. Efforts to bolster regional trade, for example, have seen Mercosur revived and Venezuela invited to become a member. There has also been increased trade amongst members of ALBA and plans are being drawn up to establish a free trade area within UNASUR by 2019. Furthermore, UNASUR has been charged with seeking markets for South American goods abroad, initiating discussions about trade deals with other regional groupings such as the Gulf Cooperation Council or the South African Customs Union (Riggirozzi 2010, 9). These measures have had some degree of success, with the share of Latin America’s exports going to the U.S. falling from 50 per cent in 2006 to 41 per cent in 2010 (ECLAC 2011a, 15).

The Pink Tide states have also implemented a number of domestic and regional measures to decrease their dependency vis-à-vis private transnational capital and the IFIs. Domestically, Pink Tide governments have made concerted efforts to pay down their debts, decreasing their foreign debt burden as a proportion of their GDP by 38.2 per cent between 2003 and 2007 (Moreno-Brid & Paunovic 2010, 203). There has also been a trend towards accumulating foreign exchange reserves in order to decrease reliance on fickle capital flows. The success of this strategy became evident in the aftermath of the Global Financial Crisis, when Latin America as a whole weathered the crisis much more impressively than other parts of the world. While the regional
economy contracted by 2.8 per cent in 2009, it rebounded with 6 per cent growth the following year, as governments had room to manoeuvre and pursue expansionist policies (ECLAC 2010). This stands in stark contrast to previous crises, which inevitably undermined social gains and plunged the region into recession and stagnation. If the situation in the U.S. and Europe continues to worsen, this resilience might be tested, but for now, the results have been impressive.

Along with these domestic measures to decrease the leverage of transnational capital, the Pink Tide has sought similar outcomes at the regional level, establishing a number of institutions and initiatives in order to create regional sources of finance and investment that do not impose conditionalities in the way that the IFIs do. These include the joint Venezuelan and Brazilian initiative of the Bank of the South as an alternative source of development funding. The Bank, which was instituted as part of UNASUR in December 2011, will have $20 billion in capital to lend for developmental and infrastructure projects (Hellinger 2011, 56). On a smaller scale, the ALBA Bank has $1 billion in capital to do likewise for ALBA members, while Brazil’s social and economic development bank BNDES funded $870 million worth of projects in the region in 2011, which was three times more than the World Bank portfolio in Latin America (Cannon 2009, 186; Bizusaperu 2011). Venezuela’s bilateral aid to the region has also reduced the need to attain funding from abroad.

The most prominent project in this context has been the PetroCaribe agreement between Venezuela and 17 other, mainly Caribbean, states, which provides them with cheap oil and generous lines of credit to pay for it. The overall value of the agreement has been estimated to be $17 billion over a decade, freeing up important resources to be spent elsewhere in the economy (Burges 2007, 1347). Overall, these initiatives have decreased the presence of IFIs in the region, with the IMF’s lending to Latin America as
a share of its portfolio falling to 1 per cent in 2007, down from 80 per cent earlier in the
decade (Legler 2009, 232).

Through these measures to diversify markets and sources of investment, and to
decrease reliance on transnational capital and the IFIs, the Pink Tide has succeeded in
carving out a more autonomous economic space for Latin America in the global
economy. Undoubtedly, many aspects of dependency remain; most importantly, Latin
America as a region is still wedded to commodity exports, which may have brought
impressive returns during the past decade, but whose terms of trade still tend to decline
over time. As a whole, Latin American countries, whether members of the Pink Tide or
not, have yet to make substantial upgrades to value-added exports, although some,
Brazil amongst them, have made some strides in this regard. Moreover, an overreliance
on China also carries risks should its growth slow. Accordingly, Latin America under
the Pink Tide has by no means escaped its dependent position in the global economy.
Yet a more autonomous space has been created within which ‘endogenous’ economic
strategies can be pursued. These potentials, however, must always be evaluated in a
context in which the differences (particularly between Brazil and Venezuela) are taken
into account.

The neostructuralist conception of endogenous development, which focuses on
improving competitiveness via increased state action to foster technological innovation
and boost productivity, has prompted Brazil to attempt to steer regional economic
integration towards increasing the competitiveness of Latin America as a whole. It has
done so through bilateral aid programs which offer technical expertise and know-how;
information and technology transfer; and funding for scholarships, training programs;
and capacity building measures. The underlying aim of these programs is to help their
recipients embark on the ‘high road to globalisation’ and reap the economic and social
benefits in a similar manner to Brazil (Burges 2005, 1141). At the regional level,
Brazil's strategy has likewise focused on fostering economic integration as a way to boost competitiveness. This has included attempts to revive Mercosur as a free trade area where national capital can build economies of scale in preparation for global competition, as well as making a commitment to create a similar area across South America through UNASUR (Burges 2007, 1350). Within UNASUR, Brazil's neostructuralist logic can be seen in the commitment to spend $13.7 billion over the next decade on infrastructure and energy integration as a means of facilitating trade and commerce within Latin America (MercoPress 2011d).

By contrast, Venezuela's more radical understanding of endogenous development, which assigns the state the leading role in the economy and experiments with non-market forms of economic activity, has led to a different type of regional economic project. The key body here has been ALBA, which encourages cooperation between state-run companies in order to strengthen their position vis-à-vis private capital, and supports nationalisation and expropriation of companies and natural resources so that the state can reaffirm its role as the 'central actor of the economy' (ALBA 2010b). Likewise, ALBA has provided funding, support and education for cooperatives, worker-run enterprises and subsistence agriculture, as the seeds of alternative logics of economic production based on solidarity and cooperation.

ALBA also promotes an alternative form of trade based on 'complementarity,' whose driving motive is the satisfaction of social needs rather than profit. Rather than seeking to increase the competitiveness of local economies, this model of trade instead focuses on areas of exchange where countries can complement each other, bringing mutual benefits. Thus, for example, Cuba has extended trading relations with ALBA members on the back of its expertise in health and education services, aiding the fight against illiteracy amongst indigenous communities in Bolivia and Ecuador. Quite often, such trade deals are conducted through barter, which further removes calculations of
profit from economic exchanges. The most prominent example of such a deal was the exchange of Venezuelan oil for the services of Cuban doctors and health professionals who headed up most of the health ‘missions’ in Venezuela’s poor neighbourhoods. Likewise, the PetroCaribe agreement, which grew out of ALBA, also allows for the possibility of payment for oil in goods and services.

Along with promoting non-market forms of economic activity, ALBA has also proposed a ‘social’ dimension to economic integration. This has involved setting up a number of ‘transnational welfare projects’ including, for example, programs to fight illiteracy based on a Cuban model that worked effectively in Venezuela, scholarships for students from member countries to study medicine and other professions in Cuba and Venezuela, or social assistance programs in housing for the informal masses. These programs are funded primarily by the Venezuelan state-owned oil company PDVSA, and, building on the country’s experience with its social ‘missions,’ emphasise popular participation in their planning and administration (Riggirozzi 2010, 9).

ALBA trade deals are based on the principle of solidarity with the poorer members of the bloc, allowing them to raise tariffs and protections on infant industries while committing the richer ones to open their markets to goods from these countries. Thus, ALBA trade is based on an explicit recognition of the asymmetries between member states and a commitment ‘to help the weakest countries overcome the disadvantage that separates them from the most powerful countries in the Hemisphere’ (cited in: Kellogg 2007, 202). To this end, ALBA has also set up a Structural Convergence Fund which provides development assistance to its poorest members in order to correct these asymmetries.

ALBA thus puts forward a broad outline of an alternative development model to neoliberalism, and in certain aspects even capitalism, in seeking to remodel the regional economic order. This contrasts with the Brazilian model that departs from neoliberalism
to seek an alternative route to the global economy, but does not question its market orientation. Yet the notion at the core of endogenous development – that Latin American countries need to find their own development strategy ‘from within’ offers a potentially radical opening. By admitting that there is no one, neoliberal, path to the global economy, it opens the door to struggles to define alternative paths, however radical they may be. Venezuela’s radical interpretation of this opening, both domestically and through ALBA, has empowered subordinate classes throughout the region to seek to find their own alternative paths as well, most prominently in Bolivia and Ecuador. While bodies like UNASUR and the Bank of the South have not departed from the more moderate understanding of endogenous development, the fact remains that the existence and success of ALBA as an economic project puts pressure on them to open themselves to more radical ideas. Already ALBA has expanded, with Suriname and St. Lucia applying to join the organisation in February 2012, and Haiti becoming a permanent observer. For Haiti, the main drawcard has been the significant amount of aid and support it has received from ALBA in rebuilding after the 2010 earthquake (Wyss 2012).

Such a ‘social’ dimension is largely missing from the Brazilian neostructuralist proposals for the region. With Chávez handing out billions of dollars in aid, and ALBA promoting welfare programs that facilitate popular participation, the other regional bodies need to consider a social dimension to their project as well. The argument that this cannot be done because ‘there is no alternative’ to trickle down economics and market austerity no longer holds. Just as with the contested notion of democracy, whether this realisation leads down a radical path or to a passive revolution which decapitates this radical potential, will depend on struggles yet to come.
Ideological Spaces

The success or failure of these struggles will depend in large measure on the degree to which the Pink Tide countries can transcend the limiting ideological self-understanding of Latin Americans to make a radical collective will possible. For centuries, Latin Americans have looked elsewhere for their models and understandings of themselves and their place in the world. These referents changed over time – from Spain and Portugal during the colonial period, to Britain and France in the 19th century, to the U.S. in the 20th century – but the ideological subordination remained the same. It was especially pronounced amongst the region’s elite, which continued to see modernity as embodied in the West, and strived to ‘catch up to the West’ while always worrying about the capacity of their countries to do so. This subordination made it much easier for outside forces to intervene in the region, as they could always find willing allies for such intervention amongst the region’s dominant classes. During the 20th century, and the Cold War especially, the U.S. relied on such collaboration to quash potentially radical projects it perceived as threatening to its hegemony. Whether in Guatemala in 1954, Chile in 1973 or in any number of violent overthrows of potentially radical governments, the dominant classes in Latin America bought into the U.S. hegemonic vision and reacted violently when this vision was challenged.

In one sense, at least, not much has changed in the 21st century, with some of the regional elites parroting the U.S. line on the Pink Tide. The coup in Honduras against Manuel Zelaya in 2009 for ‘getting too close to Chávez’ is simply the latest example. There many others: the continuing assault on Rafael Correa in Ecuador by the privately owned media for being a ‘dictator,’ the rebellion by the wealthy Eastern states against Morales in Bolivia, or the scaremongering throughout the continent that any leftist leader running for office could ‘turn in the next Chávez.’ Likewise, the shopping trip to Miami continues to represent the holy grail for those sections of Latin American
societies that can afford it. Some countries, most notably Colombia under Álvaro Uribe (2002-2010), continue to act as proxies for American interests in the region, and much of Central America and Mexico are submitting to the American War on Drugs strategy to combat the growing problem of drug trafficking across their borders.

Yet, at the same time, as I have sought to indicate in this chapter, there is a countervailing tendency in Latin America that is more powerful than it has ever been. Not only is this the first time that the leaders of many Latin American countries have not come from the ranks of the traditional dominant classes, but this new political elite does not share the traditional deference to foreign models and ways of thinking. For these leaders, and many of their followers, the U.S., and its neoliberal project no longer represent the expressions of modernity and progress to which to aspire. Instead, whether in Lula’s principle of auto-estima, Chávez’s ‘21st century socialism’ or the neostructuralist concept of ‘development from within,’ the ideological spectrum of the new regional common sense prioritises independent and autonomous thinking and action (praxis) in the construction of the regional order – a desire to find Latin American models and solutions for Latin American realities and problems.

This desire has driven the construction of regional institutions and initiatives within which intellectual independence can be fostered. These include, most importantly, Telesur, a regional television station founded in 2005 as a joint venture between Venezuela, Argentina, Bolivia, Cuba and Uruguay that attempts to provide alternative media coverage to Western networks such as CNN and BBC. According to its director Aram Aharonian, Telesur is:

a strategic project that was born out of the need to give voice to Latin American confronted by an accumulation of thoughts and images transmitted by commercial media and out of the urgency to see ourselves through our own eyes and to discover our own solutions to our problems.
The station provides not only news but also documentaries and films about regional issues that seek to confront the dominant narratives about the region, and inject into them a ‘Latin American’ voice. Likewise, ALBA has promoted a network of ‘ALBA Houses’ around the region – cultural centres where linkages between the peoples of the region are formed with the aim of fostering a genuine ‘Latin American’ identity. Similarly, the ALBA Social Movements Council, through its openness to social movements from across Latin America, strengthens links between radical social forces in the region, enabling cooperation, exchanges of ideas and alternative political and ideological strategies.

Through these institutions and initiatives, the forces struggling to shift the ideological self-understandings of Latin America have created spaces that have never really existed previously. Whether the radical forces can take advantage of these openings remains to be seen.

A Counter-hegemonic Regional Historic Bloc?

Thus, the process of regional integration taking place in Latin America in 2012 has created political, economic and ideological spaces within which a radical historic bloc could possibly develop. This process is in its early stages and the exact nature of the radical project remains under contestation. However, its broad contours are clear. They involve a political project based on a belief in the necessity to deepen democracy; an economic project which seeks autonomy from the global neoliberal economy; and an ideological project committed to intellectual autonomy in the construction of the regional order.
Within this context, crucial struggles continue, at all levels, over the exact meanings of these projects. As part of these struggles, the subordinate forces have made some advances and continue to have opportunities to push the process in a radical direction. But the obstacles they face are significant. These include obvious external pressures such as the continuing crisis of the global economy which threaten to undermine the economic and political experiments in Latin America. And there is always the ‘obstacle’ of the U.S., which is unlikely to cede hegemony over its own ‘backyard’ without struggle. There are also internal obstacles, not least the continuing threats from those who have traditionally ruled in Latin America, often on behalf of the U.S. and global capitalism.

Yet it is obvious that there is no returning to the status quo of the 1990s. Even those countries such as Colombia and Chile under its new right-wing President Sebastián Piñera, which still look North for guidance and inspiration, find that they cannot isolate themselves from the Pink Tide process of constructing the current regional order. Accordingly, both have actively participated in the regional integration project, with Chile working closely with Venezuela and Cuba on setting up CELAC, and becoming its leader in 2012.

In short, Latin America has begun to develop a regional historic bloc, significantly different from any that existed before; one that, in Gramscian terms, has clear counter-hegemonic potentials within it. Whether these potentials become actualised, will only become clear with time. One thing is certain however, and this is that the U.S. will not take kindly to this new power configuration if it cannot control it. In the Conclusion now to follow I explore the implications of all this for Latin America and U.S. hegemony.
Conclusion

In the latter phases of this thesis I have focused on challenges to neoliberal capitalism in Latin America prompted by the two most prominent members of the Pink Tide, Venezuela and Brazil. In this brief conclusion, however, I want to broaden the discussion a little and return to a theme introduced at the beginning of the work, namely the prospects for U.S. hegemony in the Latin American region. This is because the challenge of the Pink Tide to neoliberalism cannot be divorced from the challenge it poses to the U.S. as the global hegemon and major driving force of neoliberal globalisation since the 1980s. This hegemony has come under increased contestation over the past decade, at the very time that the Latin American region increasingly charts its own future via a process of political and economic integration. In Chapters 4-7, I examined some of the domestic and regional issues associated with this integration process, focusing on a growing desire for political, economic and ideological autonomy amongst the countries of the Pink Tide which, I suggested, makes them less susceptible to domination from even the U.S. capitalist superpower.

In this concluding chapter, I want to further develop this idea, by looking briefly at four major ‘distractions’ that for the foreseeable future will limit the capacity of the U.S. hegemon to intervene effectively in any regional war of position taking place to its South. In particular there is the rise of China and the perceived necessity for the U.S. to counter the economic, political and strategic challenge from this quarter. There is also the continuing instability in the Middle East and West Asia where the Iraq War, the Arab Spring and the war in Afghanistan are clearly factors on the U.S. geo-strategic agenda that will demand its attention for many years to come. There is too the post-2008 crisis of global capitalism that is still having major repercussions on the global community in core areas of the world that have traditionally looked to the U.S.
hegemon for leadership. And there is the continuing legacy of the Bush Administration that is having enormous implications for Barack Obama seeking (albeit minimally) to reformulate U.S. geo-strategic priorities and restore domestic confidence in a struggling U.S. economy and society.

Each of these challenges directly impacts on how the U.S. responds to the situation in Latin America, undermining its ability to engage as actively as it would like in the regional war of position. As a result, I suggest, the nuanced political work required to create hegemonic consensus in Latin America will be much more difficult to carry out, particularly if indigenous elites become increasingly committed to regional integration and autonomy as the foundation for future prosperity and stability. Resorting to the other side of the hegemonic coin – coercion – might in this circumstance actually increase a shift to radicalisation in Latin America and further weaken U.S. power and influence in the region.

Global Challenges to U.S. Hegemony: the China Issue

While the U.S. has been bogged down in two wars in the Middle East during the 2000s, China’s rise has become a major global phenomenon. With economic growth in the double digits for most of the decade, China has used its newfound economic strength to challenge U.S. influence both within the Asia-Pacific region and worldwide. It has become the largest trading partner for many countries in the Asia-Pacific, including Japan, displacing the U.S. as the primary market for Japan’s exports and investment (Junguo 2012). Moreover, as the U.S. ponders the implications of a major challenger in an area of the world it has dominated since the end of World War II, China has expanded its economic relations with important areas of the global periphery, not only in Latin America as I outlined in the previous chapter, but also in Africa. It has become the continent’s largest trading partner, exchanging natural resources for investment and
trade, with none of the ‘liberal’ restrictions associated with trade with the U.S. and the Western powers (Xinhua 2012). China’s growing economic might has also allowed it to increase its direct leverage vis-à-vis Washington, with the country becoming the largest holder of U.S. government securities, now owning about $1.1 trillion of American debt, and effectively and ironically leaving the U.S. to run its hegemonic project on (Chinese) credit (Rapoza 2012).

This growing material power is increasingly being articulated in political terms, as China challenges the U.S. agenda in the international system, whether on the devaluation of the yuan, issues of climate change, sanctions against Syria and Iran, or on the Doha trade round. This new assertiveness from China represents an obvious and growing threat to America’s ability to get its way in the international arena, and it further highlights the increasingly contested nature of its hegemonic order in economic and political terms.

This challenge has been less pronounced in ideological terms, with China lacking an ideological project to compare with the American promotion of liberalism and democracy. Nevertheless, there has been a growing ‘Beijing Consensus’ over the past decade regarding development strategies in the neoliberal global economy (Beeson 2010, 89-91). This Beijing Consensus has certainly been appealing to China’s neighbours, as well as to other peripheral countries, with Brazil’s Dilma Rousseff the latest to develop an interest in the way China ‘does things’ in regard to its political, economic and social development (Leahy 2011). This may not be the equivalent of the ‘American Dream’ in terms of its potential for hegemonic consent, but it does emphasise China’s role in the growing contestation of the ‘American way’ as the dominant and universally applicable path to progress and prosperity in the globalised age.
The U.S. is only too aware of the China challenge, as demonstrated most dramatically in January 2012, when the Obama Administration’s revised military doctrine announced that:

U.S. economic and security interests are inextricably linked to developments in the arc extending from the Western Pacific and East Asia into the Indian Ocean region and South Asia, creating a mix of evolving challenges and opportunities. Accordingly, while the U.S. military will continue to contribute to security globally, we will necessarily rebalance toward [sic] the Asia-Pacific region.

(U.S. Department of Defense 2012, 2)

It is not surprising that the multifaceted challenge of China should be seen by the reigning hegemon as primarily a security threat in its most treasured area of influence. And in this regard the attempt to shore up U.S. security concerns in the Asia-Pacific illustrates clearly enough the problem it now faces as its resources are increasing stretched, primarily by its military interventions in the Middle East.

Thus in 2012, the new/old ‘forward-deployed’ diplomacy of the U.S. includes: an agreement to station up to 2,500 marines in Australia; the extension of its military presence in Japan; the establishment of an annual ‘Trilateral Strategic Dialogue’ between the U.S., Japan and Australia; the fostering of a strategic relationship with India; the strengthening of military ties with the Philippines via the Manila Declaration of November 2011; the sale of 24 F-16 fighter jets to Indonesia; the reinforcing of diplomatic and military ties with Singapore, Thailand and Vietnam; and a more assertive American involvement in the East Asia Summit (Clinton 2011, 58-60). The Obama Administration has oscillated between seeing China as a (strategic) ‘threat’ and an (economic) ‘opportunity,’ and how it configures its diplomacy and strategic planning
to confront China will be crucial to the immediate future of global politics. The point for now is that the shifting of America’s attention to the Asia-Pacific region, along with its major foreign policy problems elsewhere, indicates just how difficult it will be for it to respond to challenges in a region such as Latin America.

*The Middle East and West Asia*

This is especially so given that it still faces a hugely unstable situation in the Middle East and in West Asia, where a decade of occupation in foreign war zones has not yielded the kind of strategic or political foothold that the U.S. envisaged. Despite optimistic hopes for a responsible withdrawal from Iraq and Afghanistan, the former has not become the sort of base for American power projection that the neoconservatives envisaged; while the insurgency continues in the latter as the U.S. rather unconvincingly promotes the notion that the fledgling Afghan National Army can now oversee the movement to stability and democracy.

Beyond Iraq and Afghanistan, the U.S. is also increasingly edging towards conflict with Iran over its nuclear program, with recent reports suggesting that the Obama Administration is actively considering a military strike on Tehran sometime in 2012, whether in partnership with Israel or by Israel alone (McGreal 2012). The consequences of such a strike are likely to include retaliatory attacks by Iranian proxies on American and Israeli targets throughout the Middle East, making any suggestion of withdrawal from the region problematic. Such plans are also complicated by the uncertain nature of the Middle East situation in the wake of the Arab Spring, which has removed the lynchpin of the American regional security strategy – Hosni Mubarak – from power in Egypt, and unleashed a wave of social forces across the region more hostile to U.S. hegemony than their authoritarian predecessors.
The U.S. has responded to this development as it has with the Pink Tide, by trying to coopt the popular movements in order to shape their trajectory to suit its interests. This appears an optimistic strategy at best, given that a recent poll found that only 5 per cent of the population in Egypt had a favourable opinion of the U.S., and that fewer than 10 per cent of people in the region *per se* had a favourable view of the Obama Administration (Ukman 2011). The point again is that any radical tendencies in Latin America must surely be low on the priority list as the U.S. is forced to confront much more immediate threats to its hegemonic status in fractious and violent areas of the world.

Of course this is nothing new. Hegemony is, after all, always under contestation and negotiation, and predictions of America’s decline were plentiful throughout the 20th century. Yet what may be different today is the context within which some of these challenges are occurring – most importantly perhaps, the challenge posed to the great capitalist superpower by the crisis of global capitalism and the neoliberal project the U.S. has sponsored since the 1970s. This crisis has had a two-fold effect, particularly in the wake of the 2008 Global Financial Crisis.

*U.S. Hegemony and the Crisis of Capitalism*

In simple material terms, the Global Financial Crisis has undermined the ability of the U.S. to project its power and to assert its hegemony in the traditional manner. The U.S. economy shrank by 5.1 per cent between 2007 and 2009, with only 3 per cent growth in 2010 and 1.7 per cent in 2011 (*BBC* 2011c; Censky 2012). As a result, 46.2 million Americans lived in poverty in 2011 – the highest number in 52 years. In January 2012, 12.8 million people – 8.3 per cent of the workforce – were unemployed (*Tavernise 2011; Bureau of Labor Statistics 2012*). The country’s fiscal situation is even worse, with the budget deficit forecasted to reach $1.1 trillion by the end of 2012, and the debt-
to-GDP ratio reaching 100 per cent in January 2012 (Congressional Budget Office 2012; Wolf 2012). Thus, the U.S. is increasingly living beyond its means at precisely the time it needs to face down multiple challenges to its power and status around the world. Accordingly, the Pentagon is being forced to cut $487 billion from the Defence budget, with a further $500 billion to follow if the Obama Administration is unable to agree on cost saving measures with the Republicans elsewhere (Madhani 2012).

For all this it is hard to imagine that eventually the U.S. will not recover. It is telling that, in the face of global uncertainty, capital has still been flowing into the U.S. as a safe haven. Yet three decades of neoliberalism have done significant damage to the fabric of U.S. society. Between 1979 and 2007, the incomes of the richest 1 per cent of the population, which now controls 40 per cent of the wealth in the country, grew by 275 per cent, compared to 18 per cent for the bottom 20 per cent, placing the U.S. amongst the most unequal countries in the capitalist core (Congressional Budget Office 2011; Luhby 2011). As even the IMF has acknowledged, such disparities are detrimental to achieving sustainable long-term growth (Berg & Ostry 2011). Moreover, thirty years of de-industrialisation have severely weakened America’s productive base, with manufacturing as a share of GDP declining from 20 per cent in 1975 to 12 per cent in 2012 (Lee 2012; Berman 2011). Indeed, in 2011 China overtook the U.S. as the world’s largest manufacturer, ending America’s 110 year-hold on that position (Marsh 2011). In such a context, questions remain about whether the U.S. has the capacity for the kind of sustainable growth that would restore its economic and strategic might.

In any case, the events of 2008 have accelerated a second and important concern about U.S. hegemony emanating from large sections of the global community that have largely ‘consented’ to its rule since World War II. This centres on a lack of confidence, now becoming increasingly evident, in the core principles of the ‘American way’ – the principles of capitalism and liberal democracy – articulated since the 1970s as the
neoliberal globalisation project. The spectacular failure of self-regulating financial markets and the fact that this failure occurred in the very heartland of the capitalist core has led to some serious questions about the neoliberal project, increasingly from within the core.

A global survey in 2009, for example, found that only 11 per cent of people in 27 countries surveyed believed that ‘free market capitalism’ worked well as an economic system (Robbins 2009). Likewise, the Occupy Movement, which has risen in response to gross income inequalities, has spread throughout the world, challenging the notions of ‘trickle down’ at the core of neoliberalism. This rejection of the blind faith in the market is especially salient given the success of the more statist-oriented economies like China and Brazil in not only weathering the crisis but also thriving in its aftermath.

And, as mentioned in Chapter 6, countries such as Brazil have been quite vocal in lecturing the U.S. and other countries of the core about the flaws of the neoliberal model. Moreover, the domestic consequences of the social and economic crisis in the U.S. have also undermined America’s hegemonic appeal. The rise of right-wing xenophobic nationalism in the form of the Tea Party, for example, has done little to encourage consent for the ‘American way’ around the world.

*The George W. Bush Legacy*

The loss of confidence and the crisis of legitimacy associated with U.S. hegemony in 2012 is not just about the disasters of global capitalism or the immediate events in Iraq and Afghanistan. There is also the lingering and for many the poisonous legacy of the George W. Bush Presidency (2000-8) with its outright belligerence towards many peoples and regions around the world, its contempt for the institutions of global diplomacy (e.g. the UN) and its one dimensional aggression following the atrocities of 11 September 2001. A legacy that even for orthodox International Relations and
International Political Economy scholars in the U.S. has been devastating for American hegemony, because it effectively undermined the ‘soft power’ dimension of its foreign policy that had been vital to the consent for U.S. foreign policy since World War II (Nye 2002; Walt 2005). In resorting to ‘hard power’ as a first option therefore, the Bush Administration threatened the consent factor at the heart of U.S. hegemonic power while revealing more clearly its coercive foundations.

The election of Barrack Obama was expected to change this, and Obama has indeed sought to re-secure consent for American hegemony via a renewed focus on diplomacy and multilateralism embodied in his Administration’s commitment to ‘smart power’ in contrast to Bush’s overreliance on ‘hard power’ (U.S. Department of State 2011). These efforts have had some success, with global approval of the U.S. increasing from a low of 33 per cent in 2007 to 47 per cent in 2010 (Clifton 2011).

And yet, the fact that less than half of the world approves of the U.S. cannot be ignored. The structural problems of the American economy are so profound, and the legacy of the War on Terrorism so toxic, that reasserting hegemony is proving to be a difficult endeavour. With a shortage of resources to offer meaningful leadership on a global scale; with Guantanamo Bay continuing to operate and drone attacks and extraordinary renditions escalating, there is a real sense that, under Obama, the only thing that has really changed is the rhetoric.

The point, to reiterate, is that at the outset of the second decade of the 21st century, the U.S. faces a growing list of economic, political and ideological challenges from around the globe, and its ability to respond to these challenges is being tested by its own precarious economic situation, as well as by a decline in the legitimacy of its ideological project based on the ‘magic of the market.’ In sum, if in the 1990s the American-led neoliberal hegemonic order seemed to represent an inevitable and positive future for the global community, this future is now much more opaque and uncertain.
Back to the Question of Latin America

The significance of all of this in the Latin American context is that as the U.S. comes under greater challenge globally, it will presumably struggle to deal with the challengers at its doorstep. There is no doubt that the focus on terrorism and the Middle East during the 2000s helped the Pink Tide to flourish, as America’s attention was turned elsewhere. This led to complaints by pundits in Washington about ‘neglecting’ and ‘losing’ Latin America (Hakim 2006). This was never quite the case. Indeed, as the ‘consensual’ aspect of Washington’s vision of the region unravelled with the faltering Free Trade Area of the Americas (FTAA) and the Pink Tide turn to the left, the Bush administration employed more coercive means to get its way in the region (Emerson 2010). Consequently, America’s opponents in Latin America were increasingly likened to terrorists, with officials from the U.S. Southern Command (SOUTHCOM) warning of the ‘emerging threat’ of ‘radical populism’ whose destabilising influence made the region a breeding ground for terrorist groups (Grandin 2006, 13). Referring specifically to Hugo Chávez and Fidel Castro, recently retired Bush administration official Otto Reich warned in 2005 of a Western Hemisphere ‘axis of evil’ which via:

the combination of Castro’s evil genius, experience in political warfare, and economic desperation, and Chávez’s unlimited money and recklessness [put] the peace of [Latin America] in peril.

(cited in: Leogrande 2007, 374-5)

This was of course a variation on the ‘two lefts’ strategy intended to undermine the countries of the ‘bad’ left. While Venezuela was the most prominent target, the other members of the Pink Tide also faced censure. Thus, leftist leaders like Daniel Ortega in Nicaragua and Evo Morales in Bolivia were accused of links to terrorism, and U.S.
officials threatened to impose economic sanctions if they won elections in their countries. During the 2004 election in El Salvador, Republican Senators threatened to deport Salvadorian immigrants from the U.S. and cut off remittances if the Farabundo Martí National Liberation Front (FMLN) won. Even Brazil’s Lula, despite his moderation and promise to uphold IMF agreements, was attacked following his election, with the U.S. Treasury Secretary Paul O’Neill advising him to prove to investors that he was not ‘a crazy person’ (Leogrande 2007, 378-80). This strategy backfired, with the U.S. further alienating countries in the region, both ‘good’ and ‘bad’ – a 2006 poll found that 86 per cent of Latin America’s elites disapproved of American foreign policy. A year earlier, 53 per cent of the region’s population had a negative opinion of President Bush, making him the most unpopular U.S. President in history (Hakim 2006, 47; Leogrande 2007, 385).

This was precisely the situation of an ‘organic crisis’ which Gramsci warned about, a crisis where:

the ruling class has lost its consensus, i.e. is no longer “leading” but only “dominant,” exercising coercive force alone, this means precisely that the great masses have become detached from their traditional ideologies, and no longer believe what they used to believe...the crisis consists precisely in the fact that the old is dying and new cannot be [yet] born; in this interregnum a great variety of morbid symptoms appear.

(Gramsci 1971, 275-6)

Gramsci was sceptical about whether such a crisis could be resolved through the exercise of force alone, or by a restoration of the old order which was now decaying. Instead, there was a need for a ‘new arrangement’ – a hegemonic project that resolved the underlying tensions of the crisis and put forward a new and appealing social vision
that would resecure the consent of the subordinate classes and preserve dominant class rule. This was why there were such high hopes for the Obama Presidency, summed up most eloquently by Lula on the eve of the 2008 election, when he said that:

just as Brazil elected a metal worker, Bolivia elected an Indian, Venezuela elected Chávez and Paraguay a bishop, I think that it would be an extraordinary thing if, in the largest economy in the world, a black man were elected president of the United States. (cited in: Weisbrot 2008)

To Latin Americans Obama seemed to be one of ‘them,’ someone who understood their plight and subordination and as a result would bring a more balanced approach to dealing with the region. Lula once again took the lead in expressing these hopes, responding to Obama’s victory by saying that he now hoped a ‘constructive partnership’ could be developed between the U.S. and the region, as a basis for a more ‘active policy towards Latin America’ that would make progress on ‘development and investment in the poorest countries, the end of subsidies and the end of the embargo in Cuba’ (cited in: Giraldi 2008). Initially, these hopes seemed justified, as Obama proclaimed on his first trip to the region in 2009 that he sought an ‘equal partnership’ in which there would be ‘no senior partner and junior partner’ but rather ‘engagement based on mutual respect’ (cited in: The White House 2009).

This enthusiasm quickly evaporated, as it became clear that there were major similarities between the positions of Obama and the previous Bush Administration on important issues in Latin America. The similarities became evident during the coup in Honduras in 2009; in the expansion of the War on Drugs in Colombia, Mexico and Central America; in the continuation of the embargo against Cuba; in the lack of immigration reform; and in the continuing attacks on the ‘bad left’ emanating from
Washington and from mainstream organic intellectuals following the traditional line on America’s ‘backyard.’ In response, as much of the final section of this thesis has illustrated, in recent years, Latin Americans have felt a growing sense of frustration with this mindset, which has only further spurred the process of regional integration.

The U.S. has, in turn, responded with impatience and an indication that – even with its other distractions – a resort to coercive behaviour is not out of the question. This attitude has been exemplified in the efforts to expand military bases in Colombia to ‘conduct full spectrum operations throughout South America’ against ‘anti-U.S. governments;’ in Obama’s attack on Chávez for ‘restrict[ing] the universal rights of the Venezuelan people, threaten[ing] basic democratic values, and fail[ing] to contribute to the security in the region;’ and in the intransigence over Cuba (cited in: Lindsay-Poland 2010a, 23; Theis 2011).

Where exactly this is leading to is impossible to say with certainty, but the centrality of Latin America to U.S. hegemonic theory and practice is such that the U.S. is unlikely to let the region drift from its orbit without a fight of some kind. And if past experience is anything to go by, this ‘fight’ could become quite literal. One needs look no further than the 1980s, when the wounded hegemon, under Ronald Reagan, set out to reenergise its military and moral sense of self in Central America. A decade of violence, civil war, invasion and genocide followed, as Reagan sought to prove to the world that ‘America was back.’ The prospect of a similar increase in hostility cannot be discounted, especially with the leading contenders for the Republican nomination for the 2012 Presidential election competing with each other in their dire warnings about the threat of ‘militant socialists’ and ‘radical Islamists’ in Latin America (somehow) bonding together to launch an attack on the U.S.

But as I have emphasised in this Conclusion this strategy might well rebound on the U.S. should it be employed in the foreseeable future. There are now both structural
and attitudinal factors in Latin America that might prove too difficult for a ‘distracted’ U.S. to deal with, particularly if it sought to revisit the Reagan years and simply intimidate the ‘dissenting’ states to make them fall into line with U.S. regional and global interests.

This may not prevent it from trying, but Gramsci’s point made earlier, about the impossibility of resecuring hegemony through coercive means, still rings true. Gramsci’s other observation about organic crises, namely that they produced ‘highly favourable conditions…for an unprecedented expansion of Historical Materialism’ highlights the counter-hegemonic potentials of such moments (Gramsci 1971, 276). Whether such an expansion can succeed in Latin America at the outset of the 21st century remains to be seen, but one thing is certain – to borrow a Chinese proverb, ‘vivimos una época interesante.’
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