

## **Latin America in Search of an Alternative**

**James Petras**

**“You can’t build socialism with dollar signs in your eyes”**

**Fidel Castro**

### **Introduction**

Many experts and commentators describe the political process in Latin America as one of ‘alternating right and left governments’. Journalists focus on the abrupt regime changes from democratic to authoritarian; from neo-liberal to progressive programs; and from oligarchs to populists.

The financial media present the ‘right’s’ socially regressive policies and strategies as ‘*reforms*’, a euphemism for the re-concentration of wealth, profits and property into the hands of foreign and domestic oligarchs.

Leftwing intellectuals and journalists paint an image of socio-economic transformations under Latin America’s ‘*left*’ regimes where ‘*the people*’ take power, income is redistributed and growth flourishes.

The rise and demise of left and right regimes are typically attributed to ‘*economic mismanagement, social crisis, political manipulation and erroneous strategic policies*’.

Orthodox economists, under the presumption that greater profits ‘create’ the foundation for long-term stability and growth, prescribe a series of ‘*structural reforms*’.

'Structures' refer to measures and institutions, which strengthen the organization of the governing elite and their socio-economic backers.

A deeper analysis of both left and right wing perspectives shows that the basic understandings are flawed; there are fundamental misunderstandings regarding the long-term, large-scale continuity of the developmental process crossing political persuasions.

As a result, the left and right socio-economic classes and political elites exaggerate the dynamics of development while profoundly underestimating its 'stasis' or resistance to change.

The most striking aspect of Latin American development is not the change of regimes, but the stable continuities of the (1) class structure, (2) ownership of the strategic sectors of the economy, (3) rates of profit, (4) pattern of foreign trade and (5) principal recipients of state credit.

Viewed from this perspective, it is clear that leftwing as well as rightwing electoral victories result in mere incremental changes in the ownership of the means of production, finances and distributions. The basic structures remain intact.

Increases in progressive taxes by the left, as well as tax cuts by the right, are puny compared with the large-scale pervasive tax evasion by the elite. Massive capital flight to offshore holdings offset any increase in public revenue. Capital flight and the transfer of export earnings to overseas subsidiaries in low tax countries distort any real redistribution of income.

As a result, *'progressive'* taxes fail to reduce real upper class income. Any increase in income for workers and salaried employees result from volatile cyclical economic shifts, which are subject to abrupt reversals undermining medium term improvements in livelihood.

For example, progressive re-distributive programs are based on the size and scope of commodity prices, which, in turn, increase or reduce consumption. This is best understood as a function of the domestic structural continuities and the volatility of global demand for agro-mineral exports. When progressive regimes face the challenge of rising unemployment, income inequalities and economic crisis, regime shift occurs with the *'rise of the right'* exacerbating the economic crisis and social regression.

The negative indicators seen during a cyclical downturn, when a left regime is in power, become more acute with the ascendancy of the right. Structural continuities persisting under both progressive and rightist regimes, and not specific policies, account for this lack of real change.

The socio-economic downturns under progressive regimes, which is usually related to decreased global commodity demand, are largely responsible for the electoral victory of succeeding right-wing regimes.

The continued socio-economic decline under rightist regimes inevitably lead to a renewed crisis, as is happening in Brazil and Argentina.

In all cases, class and economic continuities under left regimes are much more important in determining their trajectories and their short and medium-term incremental

improvements. Likewise the rise and decline of rightwing regimes are based on electoral victories linked to the gross opportunism of the established oligarchical classes seeking fast gains and quick flight. Regimes may change with dizzying frequency but the state and class power remain constant.

### **Corruption: The Engine of Left and Right Growth**

A sober review of Brazil's corruption nexus between the PT (Lula) and the oligarchy leads to the following observations:

Inequalities are based on large-scale, long-term corruption linking new progressive leaders with traditional rightwing politicians and elite economic actors.

Coalitions or partnerships between left and right parties and leaders represent *kleptocracy*, not democracy.

It is clear that the greater the dependency on revenues from the extractive sector (minerals, oil and gas), the more intense the party competition, the more pervasive the corruption and the wider the web of kleptocrats.

The more intense competition between the elite and Party, the less the people have any access to the economic pie defining class society.

Corruption greases the wheels of political campaigns, elections and strategic appointments within state institutions, whether 'progressive' or 'rightist'.

In other words, electoral politics and ‘free markets’ function smoothly and without turmoil when the competing parties engage in a mutually compatible coalition of corruption facilitating big business contracts.

Despite uprisings, electoral change of regimes and palace coups, this immutable system of mutually shared corruption reduces the possibility of any real working-class based transformations.

Institutionalized corruptions turns ‘*dissent*’ into vehicles for recycling politicians between progressives and rightists.

The more the kleptocratic regimes ‘*change*’ the greater the *continuity* of class structure and economic ownership. Plus ça change...!

While popular movements and trade unions struggle and organize, searching for alternatives, their political leaders eagerly anticipate forming elite consensus and coalitions to share public office and public loot.

Outgoing rightwing regimes leave a legacy of public debts, corruption, privatized public resources and obligations to powerful domestic and foreign bankers who control the commanding heights of the economy. The incoming leftist regimes agree to assume all the debt and obstacles and none of the assets and gains.

The political decision by left regimes to accommodate this legacy eliminates the possibility of implementing basic changes and confines their policy to incremental, symbolic gestures passing as ‘change’.

It is the left's choice to adapt itself to the kleptocratic legacy and not their progressive ideology or working class voters, which defines the real political-economic and class character of the '*popular regimes*'.

To illustrate and document the 'transitions' to piece-meal adjustments forward and backwards in Latin America, it is necessary to outline the 'political turning points' and how they were subverted.

### **The Democratic Option**

With the demise of the military and authoritarian regimes between the 1960's and 1980's, the domestic and foreign ruling classes faced the real prospects of ceding political power and losing strategic ownership and wealth. In reality, the ruling class gave up very little and gained infinitely more. Socio-economic changes were aborted: the politicians of the left and right negotiated a convenient pact with the military and business elite. The left received political office, patronage and minimal incremental changes. In exchange, the entire class and property system remained intact.

The authoritarian transition to electoral pacts precluded any democratic option. Worse, the socio-economy accommodations among foreign and domestic business elites and the upwardly mobile middle class politicians ensured the continuation of the onerous and repressive class structure.

Cooptation of elected officials opened the door for deeper and more inclusive forms of corruption and broadened the net of political patronage to include trade union leaders and the increasingly ambitious operatives from the NGO sector.

## **The Debt Crises and the Debt Default**

Business-military regimes profited from corrupt multimillion-dollar arms purchases and padded their overseas bank accounts from the high interest loans they signed with foreign and domestic bankers. Because these loans were not used for public projects, the debt should have been reneged as illegal by subsequent popular-leftist regimes. Instead, the tax-paying workers and employees were left to pay off the loans.

The illegal debts totally constrained the incoming electoral regimes, precluding policies aimed at domestic growth, including increases in investments and consumption.

Numerous investigations have demonstrated the corrupt nature of the debt process: Loans, borrowed by the Treasury, were transferred to overseas private accounts. This should have served as the legal bases to reject payments to the lenders. However, the business-military borrowers, who were responsible for the illicit debt, were exonerated by successive right-left electoral coalitions.

The left-right political pacts quickly rejected any idea of defaulting on the debt because of their eagerness to take office. The possibility of ending the onerous debt payments was shut down. Instead, these regimes adopted more austerity programs, prolonged debt payments and the intensification of the neo-liberal agenda.

## **The Golden Age of Rightist-Imperial Plunder: the 1990's**

The elected left-right 'coalition' regimes, the continued payment of illegal debt and the ruling class austerity programs quickly led to hard rightwing regimes.

Inflation, accompanying the policies of the combined popular-right ‘consensus’ governments led to the collapse of the ‘electoral left’ and the rise of the neo-liberals.

Thousands of the most lucrative banking, manufacturing, transport and extractive national industries were ‘privatized’ to foreign and domestic oligarchs, often in corrupt crony-ridden deals.

Bankers, landowners, real estate and media moguls prospered.

Meanwhile, landless peasants, industrial workers and debtors were exploited and dispossessed.

Western imperial centers, led by the ‘Bill’ Clinton regime, pushed for Wall Street-brokered regional trade and investment pacts.

In the United States, the decade of the 1990’s would be celebrated as the ‘*golden age*’ of imperial plunder of Latin America’s agro-mineral wealth, the exploitation of its labor and the dispossession of its rural communities. A mega-wave of financial swindles and IMF-imposed ‘stabilization pacts’ wiped out the savings of millions of small business-people and salaried employees, while consolidating the political and economic power of the oligarchy.

The grossly corrupt ‘presidential troika’ of Carlos Saul Menem in Argentina, Henrique Fernando Cardoso in Brazil and Gonzalo Sanchez de Losada in Bolivia, replaced the stable demand-side economic policies, including import-substitution

industrialization, with supply-side programs, emphasizing agro-mineral exports and imperial-centered integration policies.

These neo-liberal, imperial-centered, privatized politico-economic regimes lasted less than a decade, but the damage of such pillage to the national economies would last much longer.

The multiple economic imbalances and the institutionalization of large-scale entrenched business-state corruption have undermined competition, efficiency, innovation and any chance for sustained growth.

Vast outflows of profits and interest (pillage flowing to US bank accounts) have undermined production and savings needed to finance growth.

The predictable collapse of this criminal ‘new order’ of agro-mineral exports (pillage), tax evasion and the business-political kleptocracy led to sharp socio-political polarization, state repression and eventually the popular overthrow of these klepto-imperial regimes – Clinton’s ‘Golden Age Partners’.

Mass struggles arose, led by grassroots movements linking the urban unemployed, rural farm workers, the downwardly mobile public and private sector employees, bankrupt small business people and middle class debtors and mortgage holders. These broad based movements directly challenged the pillage.

The catastrophic economic consequences of the ‘neo-liberal’ imperial-centered rule led to the possibility of left regimes riding on the back of mass protest.

## **Popular Uprising and the Left-Business Pact**

The downfall of the neo-liberal regimes of the 1990's brought left political parties and leaders to the foreground. These emerging leaders of the 'progressive left' would replace the 'old neo-liberal' right as the new partners of the business, agro-mineral and banking elite – while the academic world celebrated the 'rising red tide'.

The 'new pact' promised to preserve the power of the big business firms and the holdings of national and foreign banks. Most important, the social class hierarchy was unchanged. The 'left' took the reins of the kleptocratic networks to finance their own elections and facilitate the upward mobility of a rising left political and NGO elite.

The marriage of incremental reforms and populist ideology (21<sup>st</sup> century '*revolutionary*' demagogy) with oligarchic klepto-capitalism led to both the election of leftist leaders and the demobilization of the populace. A new left political oligarchy was born to enrich itself at the public trough.

Parasitical rentiers continued to evade taxes as 'left' bureaucrats looked the other way. The public-private petro-swindlers stuffed the pockets of the new political leaders. The left would secure needed parliamentary votes, as well as allies from the technocratic elite, united in a common goal of rapidly plundering the public treasury.

The global commodity boom, which lasted from 2003 to 2011, fueled the left's largess in the form of poverty programs and other minimalist measures. Business elites prospered, minimum wages increased and social expenditures, especially 'survival

baskets for the poor' surged with great fanfare. Worldwide, left academics performed victory dances in this greatly over-rated 'red tide'.

The left political pact with capital did not lead to the growth of new productive forces to sustain rising incomes for workers and farmers. There were no new technological inputs in the economy. Instead they mounted flashy pharaonic 'prestige projects' linked to corrupt contracts to crony capitalists which devoured the growing public revenues from the commodity boom. The patronage machine had never functioned more smoothly!

Predictably, the uncritical left academics celebrated these new 'radical' regimes while ignoring mass corruption and right-left alliances. The critics who identified the precarious nature of the regimes' economic foundations were dismissed or ridiculed.

The collapse of the commodity boom, the growth of massive fiscal deficits, the reversal of the small consumer gains, the loss of access to cheap credit and the visible entrenched corruption within the public-private partnerships provoked mass discontent and protests.

This gave the rightwing political parties the opportunity to 'clean house' by ousting their erstwhile partners from the left, reverse the minimalist social pacts and bring back the 'Golden Age of the 1990's'. Striking a moral posture against leftist corruption, they abandoned the coalition and took power.

### **The Left Catastrophe: 2015-2018**

In Brazil and Argentina, ‘democratic electoral’ transition meant simply that the klepto-left would be replaced by a more ‘efficient’ klepto-right. Brazilian President Dilma Rousseff was ‘impeached’ by a Congress of thieves and her kleptocrat supremo Vice-President Michel Temer assumed power. Argentine President Cristina Fernandez Kirchner was succeeded by Mauricio Macri.

Throughout these changes, the banking, petroleum, construction and meat-packing klepto-oligarchy manages to operate with the same mafia principles regardless of the ‘tint’ of the presidency: Lucrative contracts, captured markets and record profits continue to allow the flow of illicit payoffs to the rightwing presidents, without interruption.

Left academics have ignored the nature of the klepto-state and its pervasive networks of corruption. Many held their noses and dived right into the lie-factories, in exchange for privileged access to the mass media (publicity, talk shows, intellectual and cultural ‘round tables’, etc.), invitations to fancy gatherings at the presidential palace, speaking engagements abroad and an ever-expanding source of side-line income as professors, columnists, advisers, and publicists.

The oligarchs’ marriage of convenience with the left, and their prolonged honeymoon, was financed by million-dollar bribes to the left-right political allies. In exchange, the oligarchs received billions of dollars of lucrative state contracts.

When the Left agro-mineral model collapsed, many of their voters turned to street protests.

The oligarchs and the rightwing parties knew the time was ripe to dump the left presidents. They deftly seized total political power to further concentrate their economic wealth, property and social control over labor.

### **Kleptocracy in Transition: From 'Progressive' to Rightwing**

In the last few years, the ascendant rightwing political parties and leaders have implemented their most retrograde agenda: This includes raiding pension funds, raising the retirement age and cutting the budget for social security, public education, housing and health programs. The oligarchs and the Wall Street bankers seemed too eager to strip the public corpse.

In Brazil, the rightwing alliance's ambitious plan to seize power by 'criminalizing' the left may have backfired.

The right relied on the judiciary for its peaceful return to power. This began successfully with the prosecution and ouster of the left regime through the courts. However the courts did not stop there: They proceeded to investigate, arrest and jail elected politicians from the right creating a crisis of state.

Over one thousand nine hundred congress people, senators, cabinet ministers, public sector executive officers, governors and mayors from right to left have faced or are facing investigation and arrest, including the newly-imposed rightist president Michel Temer in Brazil and the mega-swindler, President of Argentina Mauricio Macri.

Initially, foreign and domestic bankers, speculators and investors, as well as the financial press celebrated the return of the right. The stock markets soared and all made ready for the grand privatizing fiesta of the public sector. When the courts continued to pursue the rightwing politicians and bureaucrats, the pervasive nature of state klepto capitalism was exposed. Members of the business elite joined their politico-partners in jail, and investors pulled out their capital. The press' celebration of the 'return of the free market' faded to a whisper.

As the rightist regimes' elected leaders went on trial, the klepto 'market' economies collapsed. The 'reformist' (regressive) business agenda, which had depended on effective presidential power linking klepto-patronage to legislation, retreated. Without their accustomed diet of corruption, elected officials fled. Judges and prosecutors investigated and undermined the authority of the new rightist regimes.

Faced with weakened and discredited presidential authority, the urban trade unions, rural social movements, students and the unemployed woke up and marched on the presidential palace.

The validity of the elections by rightist majorities has been undermined. Faced with jail for large-scale bribery and fraud, leading executives of the largest conglomerates bargained with the courts, implicating their business partners, party leaders, congress-people and cabinet ministers.

The right wing's rapid rise and demise has sown consternation among the kleptocratic oligarchy. In just two years, the courts have done more to undermine the

power of the oligarchy-business-rightist political nexus than an entire decade of leftist klepto-political rule during the celebrated 'red tide'!

While in power, the elected left did nothing to dismantle the large-scale kleptocracy they had inherited from the previous rightist regimes of Menem, and De La Rúa (Argentina), Cardoso (Brazil) and Sanchez de Losada (Bolivia). This was because they expected to take control of the network and profit from the existing system of business-political pacts.

The left regimes did not end alliances among corrupt bankers and the agro-business elite because it might undermine their own '*development model*'.

Instead, the left appointed its own pliable functionaries to key ministries to mediate and ensure co-operation within the system of klepto-profit sharing.

Only when the business-rightist pact emerged to undermine and eject the elected leftists from power, were they charged with corruption.

To avoid prosecution for business-rightist corruption, the oligarchs gladly shifted their bribe machinery from the right to the left (and vice versa).

The business-left alliance, based on corruption and demagoguery, ensured the continued success of neo-liberal extractive capitalism - until the global financial crisis and the collapse of commodity prices ended the happy fiesta.

As the commodity bubble collapsed and the left regimes were forced to borrow heavily to finance their own political survival, deficit spending, corruption, economic

stagnation, unemployment and rising deficits which provoked a broad array of opposing forces. These ranged from bankers and investors, to trade unions and informal workers. At no point did the left consider the alternative of fundamentally transforming the agro-mineral economies. Instead they borrowed from the international and domestic banks, slashed social programs and imposed regressive austerity programs – all to maintain their political power.

Corrupt capitalism is the only functional form of capitalism in Latin America to day. It is based on exploiting public resources and government contracts to promote ‘accumulation’. The ‘class struggle’ has been replaced by tri-partite kleptocratic alliances among business, trade unions and the state. In this era, elite deals have replaced class struggle.... temporarily.

### **The Return of the Class Struggle and the Demise of the Klepto-Left**

Class struggle returned with the arrest and discredit of the klepto-capitalists and their klepto-left allies.

The rightists’ return to power exploded in their own faces because they reproduced and deepened kleptocratic economies. Their brazen boasts, which seemed to pronounce “*all power to the biggest swindlers and political bribe takers*”, quickly radicalized the populace.

### **Beyond the Demise of the Right: Fake and Real Alternatives**

The demise of the right and its ‘premature’ departure from power are not the product of a class uprising or mass protests. The judicial system has led the way and forced their retreat.

For this reason, the replacement of the right is an open question.

The business, banking and imperial elites clearly favor a reshuffle of personalities and the trotting out of a new ‘honest face’ to pursue their rightist agenda.

An electoral ‘free-for-all’, where popular left kleptocratic and charismatic leaders emerge, is the left’s choice.

A third alternative would be the recently discredited left returning to office, crippled by ongoing investigations and tied to the old business and political alliances.

None of these ‘*alternatives*’ will end klepto-capitalist power and practice. None will satisfy mass discontent.

In the wings, there is always the possibility of a ‘moralizing military coup’, led by a military-business-imperial junta, to clear the streets and impose temporary stability. Such a ‘coup’ would be unable to revive economic growth and reverse the socio-economic slide into klepto-capitalism. Moreover, it would unify the unemployed kleptocratic politicians and NGO executives into a ‘peoples’ coalition of ‘democratic opposition forces promising prosperity and freedom’ to buy and sell votes and offices.

The real alternative in Latin America can only emerge and succeed if it begins by rejecting the klepto-left and turns to new ways of selecting leaders and building parties

and movements. Direct action, workplace and street occupations, confrontations and the encirclement of banks and MNC headquarters and the implementation of debt and mortgage defaults – all linked to the immediate demands of workers, employees and professionals - can build the foundations of alternative power.

Democratic leadership depends on electoral politics under the control of popular constituent assemblies. They must reject corporate funding. Elected officials' salaries must be turned over to the movements, which will pay office holders at a scale close to the wage and salaried workers they represent.

Left transformations begin with agrarian reforms and continue through the modernization of production, marketing, processing and linkages to socialized banking and credit systems. Indigenous communities should be incorporated in popular assemblies with rights and representation.

Left programs, which center on nationalizing banks and foreign trade, should build community-controlled banks and credit agencies.

Productive and commercial employment should be based on permanent jobs.

Community-based alliances with employees and workers associations must link up with multi-issue, class-based, gender and ecology movements.

Military industries should be reconverted to domestic production and linked to environmental protection.

Robust investigations and prosecution of corporate tax evasion, capital flight to tax havens by speculators and hedge funds should proceed with due speed.

Convicted bank swindlers and bribe-taking politicians should be punished with mandatory maximum sentences.

The demands and programs, tactics and strategies flowing from a growing educated work force can transform 'free time' into learning, leisure, family and friendships.

Local and national defense forces guarding national borders from imperial penetration, drug cartels and criminal gangs should replace the bloated security state and corrupt oligarch-linked military elite.

Technological innovations, including artificial intelligence and robotics, should reduce working hours and increase workplace safety while retaining workers to manage, monitor and innovate the productive process.

Left governments should focus on direct people-to-people diplomacy over and against the elite-led diplomatic deceptions that lead to wars.

Elite ethno-religious groups expressing loyalty to foreign powers and acting as agents against the interests of their homeland should leave and resettle in the country of their chosen loyalties.

Throughout Latin America, left corruption reflects the deep continuities of ownership by the banking, industrial, agro-mineral elites. Left regimes, which choose to

link economic growth and investment to the corruption of public agencies and dubious public-private partnerships, are doomed to crisis and defeat.

The illegal enrichment of left political decision-makers results in greater social inequalities because they distribute the pillaged public funds and potential tax revenues into the accounts of private and party elites.

Costly competitive election campaigns are based on corrupt deals. Illicit contracts lead to criminal profits, which lead to the illegal flight of capital to foreign bank accounts.

There is no difference between corruption through ‘bribery’, as in Latin America, and corruption through ‘legal’ multi-billion dollar lobbies in North America: Both purchase politicians and legislation and subvert the interests of the people.

In conclusion and to re-phrase Fidel Castro: ‘You cannot build radical social democracy *with dollar signs in your eyes.*’ Free market capitalism can only operate through klepto-capitalist, not popular democratic, principles

Corruption flourishes in the context of a monopolized elite mass media and high cost elections under the dictates of capital. Kleptocratic rule is fundamental to capitalism because it promotes the dispossession of small farmers and businesses and the exploitation of workers. Behind and accompanying all great fortunes are enormous and ever growing swindles involving the degeneration of public officials. Corruption is the driving force and very heart of capitalism!

## **Appendix**

Billion-dollar corruption payoffs by just one giant Brazilian construction multi-national, ***Odebrecht***, involved at least eleven Latin American countries, including both left and right regimes.

Brazil's giant multi-national meat packer, ***JBS***, and the public-private oil company, ***Petrobras***, bribed at least a dozen regimes in Latin America.

### **Rightwing kleptocracies bribed by *Odebrecht***

Panama

Mexico

Colombia

Guatemala

Peru

Dominican Republic

Brazil (1993-2002) and (2016- )

Argentina (1990-2001,20016-)

### **Leftwing kleptocracies**

Argentina (2002-2016)

Venezuela (1999-2017)

Ecuador (2008-2016)

Brazil (2003-2016)

The United States leads all the world's kleptocracies in terms of bribes by lobbies, and financial swindlers and money laundering banks and illegal payoffs by oil and gas companies to politicians and officials.

Brazil's largest oil (*Petrobras*), iron ore (*Vale*), and meat packing (*JBS*) multi-national corporations financed their overseas acquisitions and markets through bribes financed by low interest loans from the state development bank (*BNDES*).

Close to one hundred *Petrobras* officials and political leaders have been convicted and jailed for taking bribes from contractors and developers, including the Treasury Secretary of the 'Workers Party'.

**JBS**, the worlds' second leading beef and pork processor and leading cattle feeder, paid a 3.4 billion dollar fine because it bribed regulators to allow the shipment of contaminated meat products to the US (**Walmart**), China and throughout Latin America. In a deal with prosecutors, Joesley Batista, CEO of **JBS** released recordings of Michel Temer, Brazil's current right-wing president, demanding bribes from the conglomerate to avoid federal prosecution.

During the rightwing Cardoso regime, the initial privatization of **Vale**, the world's largest iron mine, was accomplished through grotesque bribes and money laundering.

Leftwing President Lula da Silva allowed klepto-privatization of **Vale** to move forward. Lula even called for more and bigger Brazilian multi-national swindles. Upon taking office in 2003, President Lula da Silva unrolled the 'red carpet' for the business elite, stating that "*it is time for Brazilian businessmen to abandon their fear of becoming multi-national businessmen*". The newly emboldened kleptocratic Brazilian conglomerates proceeded to 'fearlessly' bribe their way throughout the markets of Latin America, Asia and US. Lula subsequently served as overseas emissary to promote corrupt **Petrobras** oil contracts with Angola, Venezuela and Ecuador.