

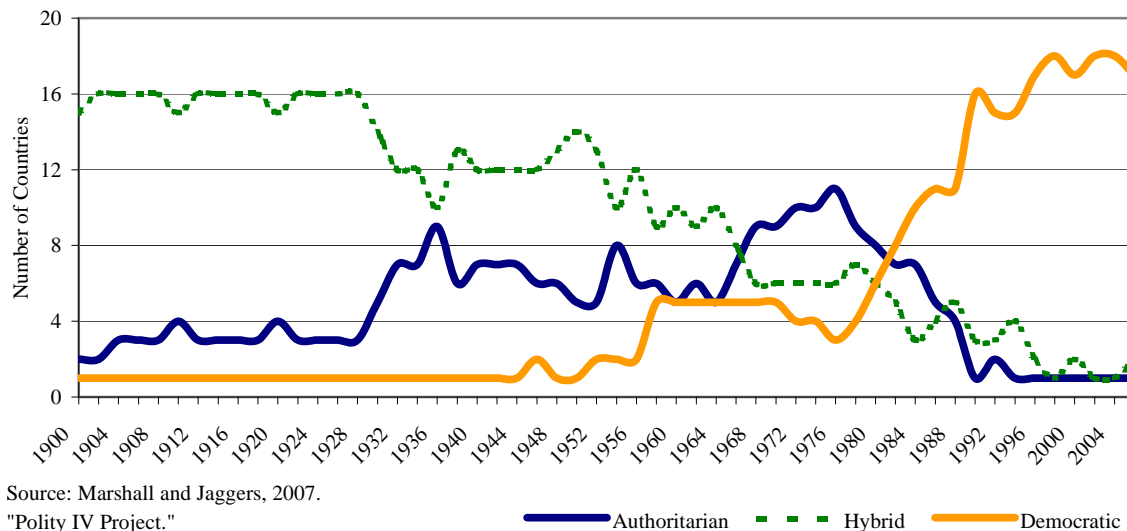
# Latin America in Transition

## LESSON 2: Politics and Democracy

(insert page 27 after paragraph 2)

In the twenty-first century, many factors continue to undermine democracy in Latin America, such as widespread corruption, weak political institutions, powerful drug cartels, violent gangs and rebel movements, and significant poverty and inequality. In light of these challenges, 2006 polls showed that only 58 percent of Latin Americans believed that democracy was preferable to any other kind of government.<sup>1</sup> Still, the “political pendulum” between democracy and authoritarianism remains firmly on the side of democracy, with every country in the region except Cuba having a freely elected government (see Chart 1). Here, we look at three cases that provide insight into the current state of Latin America’s political pendulum—Chile, Mexico, and Venezuela—before examining the challenges to democracy that persist in the region.

**Chart 1<sup>2</sup>**  
**Latin America’s Political Pendulum, 1900 - 2006**



[Click here](#) for definitions of democracy, authoritarianism, and hybrid

[Click here](#) for a larger view of the chart

### Chile

In 1990, Patricio Aylwin, the head of a center-left alliance known as the *Concertación*, won Chile’s presidential election and replaced military dictator Augusto Pinochet, whose brutal rule had lasted 17 years. Aylwin inherited an economy with low inflation, booming exports (largely because of high copper prices), growing foreign investment, and privatized industries. Indeed, under two *Concertación* governments between 1990 and 1998 (the second headed by Eduardo Frei, the son of a former president) economic growth averaged over 7 percent, before slowing in 1999.<sup>3</sup> Investments were made in health and education. On the other hand, the country’s inequality remained high, and it faced a wrenching national debate surrounding how to deal with its dark past, even as Pinochet and the military continued to wield significant political power.

After Pinochet stepped down as army commander-in-chief in 1998, he became “senator-for-life.” He then faced continuous efforts to bring him to justice until his death in December 2006.

In January 2000, Ricardo Lagos, a leading opposition leader during the Pinochet years and now the head of the *Concertación* alliance, became the first Socialist to win the Chilean presidency since Salvador Allende in 1970. He stepped up efforts to reduce inequality, improve health and education, and slow crime, while at the same time keeping budget deficits and inflation down. During his term, Chile’s annual growth rate was consistently above the regional average, even in the face of a global economic slowdown. In another sign of how much had changed, the Lagos administration signed a free trade agreement (FTA) with the United States, Allende’s nemesis in the 1970s, as well as additional FTAs with a number of other countries. Lagos also signed into law amendments which eliminated the military’s appointed positions in the senate and allowed the president to remove the commanders-in-chief of the armed forces.

The success of Lagos’s presidency was reflected in the January 2006 election of another Socialist, Michelle Bachelet. Bachelet’s election was noteworthy not only because she is a Socialist, but also because she is a separated, single mother in a socially conservative, male-dominated country. Like Lagos, she was imprisoned during the Pinochet dictatorship. Since coming to office, she has sought to maintain the country’s economic stability while continuing to strengthen its social safety net. For example, she established an Economic and Social Stabilization Fund to save excess copper revenues so that social spending can be maintained during periods when prices are low.

Because of its economic successes over the last two decades—poverty has been more than cut in half, economic growth has averaged almost 6 percent, per capita annual income has doubled to roughly \$10,000, inflation has been kept low, foreign trade has boomed—many have held Chile up as the model of “neoliberal” economic reform.<sup>4</sup> To be sure, the country continues to face economic challenges, such as persistently high unemployment and inequality, which add to significant pressures for more social spending. Still, economic success has aided political stability, and Chilean democracy remains firmly entrenched. Even more, according to Transparency International, the country is Latin America’s least corrupt state (see the discussion of corruption below).

## **Mexico**

In July 2000, the Institutional Revolutionary Party (PRI), after seventy-one years in power, lost the presidency and other key races to opposition candidates in the cleanest elections in Mexican history. The inauguration of the National Action Party’s (PAN) Vicente Fox, a northern ranching elite and former Coca-Cola Company executive, marked the country’s first-ever democratic transition of power from one party to another. Fox pledged to continue the modernization of the Mexican economy, forge closer ties with the United States, battle drugs and corruption, bring peace to the troubled state of Chiapas, and carry out an “educational revolution.”

However, the longstanding challenges facing Mexico—troubling inequality and discrimination, weak political institutions, poverty, crime, corruption, etc.—proved difficult to overcome. Also, newer obstacles, such as the country’s growing pluralism, came into play. No single party controlled a majority of seats in the National Congress, and the PRI held the single largest bloc.

The leftist Party of the Democratic Revolution (PRD) also held a bloc of seats and the important Mexico City mayor's post. In earlier PRI regimes, the president could impose his will on Congress or any other branch within the federal system. When Fox took office, a PRI/PRD legislative majority created a meaningful separation of powers between the executive and legislative branches. A separation of powers also developed between the federal government and the state governments. While this growing political pluralism showed the country's dramatic swing back toward democracy, it frustrated Fox as he tried to carry out his agenda.

Mexico's democracy continued to strengthen during Fox's tenure, and the economy showed stable though modest growth as it continued to adjust to the North American Free Trade Agreement (NAFTA) and international competition. Fox also implemented poverty-reduction programs that led to some improvements, even being copied by other countries. As a result, he had approval ratings of 60 percent at the end of his presidency.<sup>5</sup> Nevertheless, poverty, corruption, and socio-economic injustice in Mexico remained very high. Many old vested interests remained in place. Fox's inability to carry out key initiatives, such as reforming or privatizing the national oil company, PEMEX, and other monopolies, and gaining immigration reform from the United States, contributed to ongoing and deep frustrations in Mexican society. These frustrations were revealed in the July 2006 presidential elections, as the PAN's Felipe Calderón beat the PRD's Andrés Manuel López Obrador by less than 1 percent of the vote.<sup>6</sup> López Obrador, a leftist who promised many populist policies, bitterly disputed the result, although it was deemed fair and free by international observers. The PRI's Roberto Madrazo came in a distant third. Since taking office, Calderón has sought to continue the country's political and economic reform process, implementing steps to reform the tax system and undermine the operations of powerful drug cartels. He has shown an ability to get legislation through the divided National Congress, as Mexico's swing toward democracy continues.

## Venezuela

On February 2, 1999, Hugo Chávez was sworn in as Venezuela's president with an approval rating of close to 80 percent.<sup>7</sup> Upon taking office, he quickly took strong control of Venezuelan politics through a series of referenda, elections, and decrees. To his supporters—including the country's poor masses, several leftist groups long excluded from power, and many in the military—such steps were necessary to get rid of a corrupt, old-guard elite and build a more just society. To his critics—including businessmen, many senior military officers, parts of the middle class and organized labor, and the old political elite—they showed his authoritarian tendencies and intent on keeping a firm grip on power. The opposition's concern was reinforced by Chávez's growing friendship with Cuba's Fidel Castro.

In 2002, a major economic decline sparked by low oil prices and other shocks helped lead to a general strike. In April, hundreds of thousands of protesters marched on the presidential palace to demand Chávez's resignation. Violence broke out, and senior military officers overthrew the president and installed business leader Pedro Carmona Estanga. The United States quickly announced its support for Carmona, a move that was heavily criticized internationally because Chávez had been democratically elected. Chávez's supporters took to the streets protesting his removal from office, and, with the support of a group of loyal generals, were able to have Chávez reinstated only two days after his overthrow. In the wake of the aborted coup, Venezuela grew even more divided.

Opponents called another prolonged strike at the end of 2002, shutting down the oil industry for two months, a move which cost the country billions of dollars in revenues and devastated the economy. Under substantial international pressure to end the strike, the opposition decided to turn its efforts to the political process. A unique feature in the Venezuelan constitution allows for a recall vote to remove the president from office. Because this provision had never been used, there was a long and bitter controversy over how to implement the recall, and international mediation was required to settle the dispute. When the referendum was finally held in August 2004, Chávez received the support of 59 percent of the vote in fair and free elections.<sup>8</sup> Local and state elections followed in October, and Chávez and his coalition won another sweeping victory. Then, in the 2005 elections for the National Assembly, Chávez's party and allied parties won all 167 seats after the increasingly inept opposition dropped out. In December 2006, Chávez won reelection to another six-year term.

Helping Chavez in these elections was the fact that in 2003 Venezuela started to rebound from its steep economic decline, aided by sharply higher oil prices spurred by soaring demand from Asia and the U.S. invasion of Iraq. Between 2004 and 2008, Venezuela averaged over 10 percent economic growth.<sup>9</sup> As a result, Chávez has not only been able to win elections, but he has also been able to deliver on more of his social promises to his lower-class supporters, implementing education, health, and land reform initiatives, placing price controls on basic foods, and establishing tens of thousands of workers cooperatives to put people to work. In 2007, he took steps to deepen his socialist "Bolivarian Revolution" by nationalizing foreign oil operations as well as the electricity and telephone companies. He also shut down the main independent television station.

Internationally, Chávez hopes to promote an alternative to Washington-backed neoliberalism through "South-South" solidarity (i.e. solidarity in the developing world). For example, he has traded Venezuelan oil for Cuban help in health care, with thousands of Cuban doctors now manning health clinics in Venezuelan *barrios*. He has worked to diversify oil sales, slowing exports to Venezuela's number one market, the United States, and expanding them to China, Latin America, and elsewhere. Partnerships have been established with Brazil, China, India, Iran, Russia, and others to develop the rich Orinoco Oil Belt, among other ventures. Venezuela has joined the "Market of the South" (MERCOSUR) trade block and renewed its commitment to the Organization of Petroleum Exporting Countries (OPEC). Still, whether Chávez's strategy is truly an alternative to neoliberalism, or an alternative unique to the world's 9<sup>th</sup> largest oil producer in an era of record oil prices is hotly debated.<sup>10</sup>

Even more, cracks in Chávez's "21<sup>st</sup> century socialism" have begun to appear. The state oil company, PDVSA, has been strained by a slashed investment budget because of government spending elsewhere, declining output, and subsidized domestic fuel consumption, which fosters increased demand. Private farmers have been undermined by price controls that create artificially low prices, requiring the country to import goods for which it was once self-sufficient. Inflation is the highest in Latin America because of shortages, rising wages and consumer credit, an overvalued currency, and general uncertainty. Few worker cooperatives, if any, are profitable. The polarized country has also seen a marked increase in crime, and corruption remains a major problem. Despite significant gains, poverty continues to be widespread. And many upper and

middle class professionals have left the country, as have many foreign investors. In December 2007, rising unease with Chávez's consolidation of power resulted in a failed referendum which would have given him even more sweeping authority. Polls in early 2008 showed that his approval rating had dropped.

## **A SWINGING PENDULUM? CHALLENGES TO LATIN AMERICAN DEMOCRACY**

(insert page 31 before "Conclusion")

In each of the cases above, political leadership is decided by fair and free elections. However, examples such as Venezuela have led some to question whether the political pendulum might swing back to authoritarianism. Indeed, to varying degrees throughout the region, key challenges to democracy remain. As discussed in *Latin America in Transition*, these interlocking challenges include weak political institutions and corruption, poverty and inequality, and disloyal oppositions.

### **Weak Political Institutions and Corruption**

Latin American states often do not have the strong political, social, and economic institutions necessary to give legitimacy to their governments and make their economies work. Courts, government ministries, regulatory agencies, policing systems, and public education systems, among other areas, are often poorly run, undermanned, and/or corrupt. One key reason for this lack of state capacity is that average tax revenues in Latin America are only 17 percent of GDP, compared with over a quarter in the United States, and roughly 40 percent in the Europe Union.<sup>11</sup> Throughout much of the region, police officers and low-level bureaucrats ask for petty bribes; educational systems mainly serve the rich; political leaders and parties receive lucrative kickbacks from corrupt businesspeople or drug barons; legislators sell their votes to the highest bidder. The poor are the ones most likely to have their interests trampled, face a lack of real opportunity, or be asked to pay a petty bribe.

In 2007, Transparency International, an organization which gauges corruption around the world, identified 12 of the 30 Latin American countries surveyed (40 percent) as having rampant corruption. Haiti came in 177<sup>th</sup> out of 180 countries examined worldwide, beating only Somalia, Myanmar, and Iraq. Corruption among public officials and politicians was perceived to be serious in 12 additional Latin American countries, meaning at least 80 percent of Latin American countries had major problems with corruption. Chile was seen as the least corrupt country in Latin America, coming in 22<sup>nd</sup>. For comparison purposes, the United States ranked 20<sup>th</sup>, and Denmark, Finland, and New Zealand tied for first.<sup>12</sup>

Weak political institutions, corruption, and ongoing socioeconomic injustice have led some Latin Americans to question whether democracy is the solution to the region's political problems, or whether a stronger hand is needed. In 2006, when asked if their government benefited a powerful few or was good for all, 69 percent of Latin Americans said a powerful few, while only 26 percent said the government benefited all. Forty-nine percent said they believed their country's elections were rigged. Nevertheless, voter turnout is relatively high in the region, and 57 percent of Latin American voters stated that voting was the best way to effect change, while 14 percent said that peaceful protest was the best way to effect change. In essence, Latin Americans have shown an increasing desire for legitimate democratic channels to express themselves politically

and bring about change, but they often do not trust their political institutions and systems. This lack of trust is especially strong among the poor and marginalized. Importantly, polls show that as economic growth strengthens, as has occurred since 2003, so does the approval of government performance and satisfaction with democracy.<sup>13</sup>

## **Poverty and Inequality**

In 2008, over one third of Latin Americans live in poverty, and finding ways to pull people out of poverty remains a dominant political question throughout the region. According to the UN's Economic Commission for Latin America and the Caribbean (ECLAC), progress has been made in recent years, with the percentage of Latin Americans considered poor decreasing from 48 in 1990 to 36.5 percent in 2008. Nevertheless, because the region's population continues to grow, the actual number of poor people is roughly the same as in 1990, around 200 million people.<sup>14</sup>

Income inequality remains a closely interwoven problem, with Latin America continuing to be one of the world's most unequal regions. The top ten percent of the population has over 45 percent of the wealth, while the bottom ten percent has less than 2 percent.<sup>15</sup> Often this inequality is found along racial lines, with the vast majority of the region's indigenous peoples living in poverty, and most people of African descent facing severe discrimination as well. Income inequality in Latin America is reflected in other areas, such as access to quality education and health care.

While the region's ongoing economic reforms have recently led to improved economic stability and performance, this is after a decade of significant turmoil in which several major countries saw severe downturns, companies went bankrupt, and workers lost their jobs. Combined with still significant poverty, inequality, and corruption, these changes have led to a backlash against neoliberalism. Many Latin Americans believe that the economic adjustments mostly enrich corrupt officials and multinational companies, while social and economic injustices remain in place. At the turn of the century, anger over continuing hardship led to protests and rioting in Argentina, Bolivia, Ecuador, Paraguay, Peru, Venezuela, and elsewhere. In Argentina and Bolivia, these protests resulted in the fall of the government. In addition, uneasiness with neoliberalism has resulted in the election of left-of-center presidents in Argentina, Bolivia, Brazil, Chile, Ecuador, Nicaragua, Peru, Uruguay, and Venezuela. These presidents, to differing degrees, promote economic nationalism and/or efforts to strengthen social welfare. Venezuela's Hugo Chávez has been the most vocal opponent of neoliberal economic reform, and the most vocal proponent of a return to a more state-centered economic model.

The election of left-leaning presidents in the region does not mean that democracy is threatened. Indeed, it is encouraging that, while over the last two decades 14 presidents have been unable to complete their term, they were all replaced within their country's legal framework. Still, even though the region's many poor have sought to come together democratically to bring about change, whether Latin America's new leftist leaders can promote an economic model that truly sets the stage for long-lasting and equitable economic growth is yet to be seen. Indeed, the left seems divided between Chávez's "Bolivarian socialism," and the continued economic reform with more emphasis on social welfare of leftist leaders such as Chile's Bachelet and Brazil's Luis Inacio Lula da Silva (Lula, see the update for Lesson 3, "Economics").

## Disloyal Oppositions

A number of Latin American states continue to have disloyal oppositions, such as drug traffickers, rebel movements, criminal gangs, and paramilitaries, which work against the swing toward democracy. For example, drug traffickers present a significant challenge to democracy in Colombia, Bolivia, Peru, Mexico, the Caribbean, and elsewhere. In addition to being intertwined with other disloyal groups, drug traffickers undermine democracy through bribery, violence, or even taking control of some areas outright. Finding new ways to undercut the corruption and violence that come with the drug trade would surely strengthen democracy in key parts of the region (see *Latin America in Transition* and the update for Lesson 6, “U.S. Interests in Latin America”).

In the 1960s and 1970s, a loss of faith in peaceful channels of change resulted in significant violence, or outright civil war, from the Southern Cone through Central America. Beginning in the 1980s and 1990s, however, surging democratization helped to greatly lessen tensions. Today, the only major example of rebel activity in Latin America is Colombia, which has been plagued by a civil war involving not just rebel groups, but also paramilitaries and drug cartels, for over four decades. Thousands of civilians continue to be killed in the country each year, and tens of thousands more become internally displaced or refugees.

Military coups have also been on the decline in Latin America in recent decades, but there have still been a few notable examples of both successful and unsuccessful takeovers: a 1991 coup toppled the first elected government in Haiti in many decades; in 1992, rebel military units led by Hugo Chávez attempted unsuccessfully to overthrow the Venezuelan government; in 1996, a purported coup attempt against Paraguay’s first elected civilian president since 1954 was thwarted by determined leaders from MERCOSUR and the Organization of America States (OAS); in 2000, Ecuador experienced the first successful, although short-lived, military coup in South America in more than a decade; and Chávez, as noted above, was overthrown for two days by a military coup in 2002. Only in Haiti did a military regime last for more than a few days, and even there some progress has been made toward establishing democratic governance.

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<sup>1</sup> Corporación Latinobarómetro, “Latinobarómetro Report 2006,” [http://www.latinobarometro.org/fileadmin/documentos/prensa/English/Latinobar\\_metro\\_Report\\_2006.pdf](http://www.latinobarometro.org/fileadmin/documentos/prensa/English/Latinobar_metro_Report_2006.pdf) (accessed October 24, 2007).

<sup>2</sup> The scale for this chart, which is based on data from the Polity IV Project, is drawn from the Center for International Development and Conflict Management’s *Peace and Conflict* report. Using the *Peace and Conflict*’s scale, and our own terminology, regimes are classified into the following categories: “Democratic”, +6 to +10; “Authoritarian”, –10 to –6; “Hybrid”, –5 to 5. Assigning these labels to countries can be challenging, as every country and political system has different characteristics. Thus what we define as democratic, authoritarian, and hybrid is subject to debate. Concerning gaps in the data, the Polity IV Project does not assign scores to countries if their governments are undergoing a period of interruption, including foreign occupation. We prorated scores for the following countries and years of interruption: Dominican Republic from 1914 - 1924; Haiti from 1915 – 1917; Honduras in 1907, 1912, 1919, and 1924; and Nicaragua from 1926 – 1927. Neither Cuba nor Panama have scores in 1900 because neither was an independent country in this year. Normally, Polity IV prorates scores for countries in the midst of a political transition. However, a score is missing for Peru in 2000, so we have prorated it using Polity’s method. For more detailed information, please see Monty G. Marshall and Keith Jagggers, “Polity IV Project: Political Regime Characteristics and Transitions, 1800 – 2006,” College Park, MD: Center for International

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- Development and Conflict Management, University of Maryland. <http://www.systemicpeace.org/polity/polity4.htm> (accessed April 16, 2008). Also see Monty G. Marshall and Ted Robert Gurr, *Peace and Conflict 2005* (College Park: Center for International Development and Conflict Management, University of Maryland, May 2005), <http://www.cidcm.umd.edu/publications/publication.asp?pubType=paper&id=15> (accessed December 13, 2007).
- <sup>3</sup> International Monetary Fund (IMF), World Economic Outlook Database, <http://www.imf.org/external/pubs/ft/weo/2007/02/weodata/index.aspx> (gross domestic product; accessed January 18, 2008).
- <sup>4</sup> Economic Commission for Latin America and the Caribbean (ECLAC), CEPALSTAT database, <http://websie.eclac.cl/sisgen/ConsultaIntegrada.asp> (Population living below the poverty and extreme poverty lines; accessed March 7, 2008); IMF, World Economic Outlook Database, op cit. Per capita GDP for Chile has doubled in constant US dollars over the past two decades; the value of per capita GDP is about \$10,000 in current US dollars. See World Bank, World Development Indicators Online Database, <https://publications.worldbank.org/subscriptions/WDI/> (GDP per capita/ constant 2000 US\$; accessed March 7, 2008); and IMF, World Economic Outlook Database, (GDP per capita/ current US\$), op cit.
- <sup>5</sup> Alfredo Corchado and Laurence Iliff, "Fox Refuses to Address Congress," *The Dallas Morning News*, September 1, 2006. See also (in Spanish), Roy Campos, "Evaluación Final del Gobierno de Vicente Fox," *Boletín Semanal de Consulta*, December 2006, [http://www.consulta.com.mx/mail/BS194\\_051206.html](http://www.consulta.com.mx/mail/BS194_051206.html) (accessed January 8, 2007).
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- <sup>10</sup> Energy Information Administration (EIA), "Venezuela Energy Profile," February 19, 2008, [http://tonto.eia.doe.gov/country/country\\_energy\\_data.cfm?fips=VE](http://tonto.eia.doe.gov/country/country_energy_data.cfm?fips=VE) (accessed March 7, 2008).
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