

# 'Neo-liberal' offensive in Latin America: defensive retreat to the trenches for labour?

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In response to economic crisis Latin American governments are embracing open 'neo-liberal' free market economic models. As economic deregulation, industrial restructuring, retrenchments and declining wages hit the working poor, the challenges facing the trade unions are enormous. IAN ROXBOROUGH\* proposes that the labour movement in Latin America respond to the assault with a carefully prepared defensive strategy.

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**F**or most of the postwar period, governments in Latin America adopted a growth strategy based on protecting domestic production and stimulating the growth of industry. This was done in part by putting tariffs on imported goods, which made it easier for domestic manufacturers to compete and make a profit. The state also played a direct role in stimulating industrial growth by setting up state-owned industries.

To achieve these goals, many governments in Latin America created a class alliance of local industrialists, the urban middle class and the working class. Industrialists were protected and supported by the state, and benefitted by being able to make profits without worrying about international competition. The urban middle classes benefitted from an expansion of state employment.

The working classes benefitted from increased employment, gradually rising real wages, and from state support for unionisation. Although Latin American governments following this strategy tried - often very successfully - to control labour unions, they were also compelled to pay a certain price for labour support. As a result, in many countries there was extensive labour legislation which provided space for unions to improve wages and conditions for their members.

### **Military dictatorships impose neo-liberal model**

In the 1960s and 1970s this model of growth came under savage attack from right-wing military governments. They argued, quite correctly, that government intervention in the economy produced all sorts of inefficiencies.

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that wages were too high to compete internationally, and that labour mobilisation scared off potential investors, particularly foreign investors. This model of growth, they argued, produced inflation and balance of payments crises, and did nothing to generate increased exports. It had to be replaced with a neo-liberal\* model.

The neo-liberal model proposed by the military dictatorships aimed at reducing state intervention in the economy and letting the market decide. The economy was to be opened up to the winds of international competition. The argument was that manufacturers would respond by becoming more efficient or by going out of business.

What was also required -although not often stated explicitly - was that labour unions would be repressed and wages kept down.

Only under authoritarian regimes would it be possible to carry out these unpopular reforms, even though neo-liberals argued that, in the long run, everyone would share in the fruits of more efficient production and rapid growth.

Sooner or later, however, these authoritarian regimes collapsed as a result of popular pressure or economic failure. Even the 'disappearance' of thousands of political activists and union leaders was not always enough to ensure success. The only dictatorship that survived long enough to have some success in implanting the neo-liberal model was Chile.

By the end of the 1980s most governments in Latin America were democracies once again. However, these new democracies faced massive problems. The international debt crisis of 1982 had produced severe economic dislocation throughout the region. Everywhere inflation took off, reaching hyper-inflation in



some cases. Argentina, for example, had 5 000% inflation in 1989, while Brazil had over 2 000% the following year. In many countries real wages dropped massively. In Mexico workers now earn half of what they earned ten years ago. For the mass of the working poor things have become much worse since the beginning of the debt crisis.

### **New democracies return to neo-liberal policies**

Many of the governments in the new democracies of Latin America were voted into office by working people who expected a change in the economic situation. They have been sadly disappointed. One democratically-elected government after another has returned to the neo-liberal policies of the military dictatorships. Why?

Governments like that of Carlos Menem of Argentina, Fernando Collor in Brazil, Alberto Fujimori in Peru, Particio Alywin in Chile and Carlos Andres Perez in Venezuela have all said, basically, that there is no alternative to neo-liberalism. The current climate of opinion at the international level, the collapse of state socialism in Eastern Europe, and the failure of the previous growth model all point in one direction: neo-liberalism.

These governments have therefore set out on a programme of selling off state-owned businesses, cutting back on government expenditure, and opening up their economies to international free trade.

This has implications for the labour movement.

- It means de-industrialisation in some countries and industrial restructuring in others.

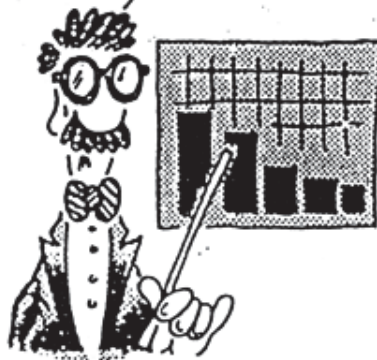
\* *Neo-liberalism is a school of economic thought which believes in the unfettered role of market forces and the removal of the state from the economic sphere*

This inevitably brings with it retrenchments, growing unemployment and decline in union membership.

- There is a systematic attack on the existing union organisations, not through the jailing or murder of labour leaders (though that has never entirely disappeared), but rather through reform of labour law. The old style of labour unionism, with government support for unions and extensive labour legislation is being scrapped. Labour laws are being changed to produce a new system of industrial relations which is better fitted to the neo-liberal model.
- The governments are pushing to decentralise collective bargaining, and to depoliticise it. Negotiations will now be directly between workers and employers, and the state will take a back seat.
- There is a new emphasis on productivity and on labour flexibility. Employers' ability to hire and fire, and to move workers around within the factory, is being increased.

Neo-liberal industrial relations aim to move away from big, centralised labour organisations which have been linked with political parties and the state, and which have played an important role in politics. The aim is to create smaller labour unions which depend on their position in the market to bargain directly with employers for higher wages and improved working conditions.

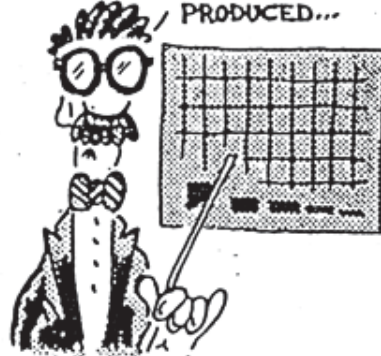
NATIONS MUST CUT WAGES TO STAY COMPETITIVE IN THE WORLD MARKET...



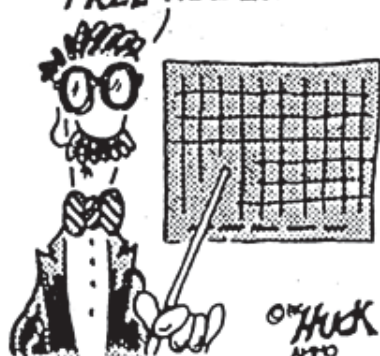
...THE U.S. CUTS WAGES TO COMPETE WITH JAPAN, WHO CUTS WAGES TO COMPETE WITH KOREA, AND SO ON AND SO FORTH...



...UNTIL WORKERS EVERYWHERE EARN NEXT TO NOTHING AND CAN'T AFFORD TO BUY THE PRODUCTS PRODUCED...



...THIS IS KNOWN AS FREE TRADE!!



## What can the working class do?

The turn to neo-liberalism means the working classes of Latin America are bearing the costs of reorganising the economies of the region. But it is not clear what they can do about it.

In many countries the governments which are putting these neo-liberal growth strategies into practise are those which the labour movement has historically supported. The most obvious case is Argentina, where the current government of Carlos Menem was elected with the votes of Argentina's Peronist labour unions.

Even where organised labour has few direct ties to the government, there is often an attitude of "better the devil you know than the devil you don't know".

Labour organisations are, in any case, still reeling under the impact of de-industrialisation, ten years of economic slump and massive wage cuts. The privatisation of state-owned industry and the reduction in state employment have hit the unions particularly hard, since these were areas of widespread unionisation.

They are hardly in a position to take the offensive. They are also divided over what their response should be: should they co-operate with their

governments in the hope that things will improve and they will obtain some limited gains, or should they confront their governments and run the risk of defeat and repression?

Behind the disarray of the unions lies a failure of the Left. All over the world, the Left is on the defensive, and in Latin America it has yet to come up with a plausible alternative to neo-liberalism. State socialism of the kind that has just collapsed in Eastern Europe is out of the question. A return to the previous model of growth based on protectionism is unlikely: too many people see it as inefficient and a cause of repeated economic crisis and military dictatorship. Revolution is not on the cards. What, then, is left?

### **Defensive responses**

The answer, at least in the short run, must be defensive. The goal of the labour movement must be to secure a position where it can resist the attacks that will continue to come. We must think in terms of trench warfare: dig in, protect ourselves, and move forward carefully, slowly, and with great preparation.

What does this mean in concrete terms?

#### **1 Accept some neo-liberal advantages**

It is necessary to accept that neo-liberalism does have some advantages. Free international trade does produce greater efficiency and, in the long run, improved living standards. But this does not need to be entirely at the cost of the working class. Increased productivity, likewise, has to be accepted as a reasonable goal, though, once again, strenuous efforts must be made to ensure that workers do not bear all the costs and capitalists get all the benefits.

#### **2 Work within corporatist institutions**

There is no point in banging our heads against a brick wall. Neo-liberalism is here to stay, and the old style of state-supported unionism will disappear. The labour movement will be slimmer; it must, therefore, be smarter. There must be efforts to consolidate union organisations. Existing institutions where

labour has some say must be supported. This means working within the corporatist institutions that have often been used to control labour. Class compromise is inevitable; the point is to make sure that the terms of the compromise are as favourable to the working class as possible. This means a careful strategy of husbanding resources, deliberate co-operation both with employers and with the government, and the deliberate use of bargaining power to extract concessions. It does not mean lying down and being trampled on.

#### **3 Co-operate with governments and employers**

Overall, the aim must be to make neo-liberalism less harsh for the mass of the working population. This means co-operating with governments and employers in wage and price control policies to combat inflation. It means joining with governments and employers to discuss industrial policy. It means developing a policy for technological change, industrial restructuring and improving productivity. It means pressuring governments to provide safety nets for the poor and the unemployed, to finance re-training schemes. Above all it means working to elect a government that is committed to smoothing the rough edges of neo-liberalism.

#### **4 Form alliances with conservative union leaders**

What I am proposing is a strategy that will undoubtedly suit conservative union leaders. Rank-and-file activists and radical union leaders will have to give up trying to displace the conservatives by being more militant. Instead they will have to establish a temporary alliance with them. It will not be easy to convince the rank-and-file of this. No-one can condemn their impatience and anger. But a wise general does not lead his troops to defeat.

This is not an exciting programme. It is a defensive one. The alternative is not socialist revolution. The alternative is confrontation and defeat. These are dark times. We must have the courage to look reality in the face. We must conserve our strength in the hope that a time will come when labour can once again take the offensive. ☆