Where Is Latin America Going? FTAA or "Twenty-first-Century Socialism"?

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Latin American Perspectives 2010 37: 185
DOI: 10.1177/0094582X09351713

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The current political and economic situation in Latin America is characterized by a marked difference between South American countries, on one side, and Mexico, Central America, and the Caribbean, on the other. While the former have seen the resuscitation of pseudo-import-substitution-industrialization policies by neopopulist governments, the latter are increasingly attached to the neoliberal project. This difference was apparent at the Fourth Summit of the Americas in 2005 with regard to the declaration of support for the Free Trade Area of the Americas pushed forward by Mexico. It is an expression of the distinct forms of integration of the two regions into the new international division of labor and therefore of the different specific forms of development of their national processes of capital accumulation. In South America, capital still accumulates through the appropriation/recovery of a portion of its abundant ground rent. In Mexico and most of the Caribbean Basin, capital accumulates through the production, exploiting a relatively cheap and disciplined labor force, of industrial goods for the world market.

Keywords: *Latin America, Free Trade Area of the Americas, Twenty-first-century socialism, Populism, Neoliberalism*

The Fourth Summit of the Americas, held in Argentina in 2005, ended with a strong dispute between countries that, under Mexican leadership, tried to put forward a final declaration in support of the U.S.-led Free Trade Area of the Americas (FTAA) and countries that, led by Brazil and Venezuela, fiercely opposed that initiative. This antagonism expressed a marked difference in the political leadership of the two groups of countries; a situation that was exacerbated during the electoral year of 2006, when some countries, such as Mexico and Colombia, reaffirmed their right-wing political leaderships while others, such as Ecuador and Bolivia, joined the group of those opposing U.S. initiatives in the region.

These differences are so notable that they are observed by both right-wing and left-wing commentators. The former have spent some time signaling the evils of the neopopulist leaders and praising the consolidation of "rational" neoliberal policies implemented by conservative (e.g., in Mexico) or "moderate" (e.g., in Chile) governments (see, e.g., Fraga, 2004). Left-wing observers, in turn, have often declared their support for the turn of the tide in South America, in particular the emergence of the so-called twentieth-first-century socialism in Venezuela (see, e.g., Harnecker, 2004; Lebowitz, 2005).

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LATIN AMERICAN PERSPECTIVES, Issue 170, Vol. 30 No. 1, January 2010 185-202
DOI: 10.1177/0094582X09351713

Despite all their many differences regarding the potentialities and limits for economic development assigned to each type of national political economy, the two groups of observers share two characteristics. First, they understand the process of capital accumulation as being essentially a national process. Second, and as a consequence of the first, they regard national economic structures and their pattern of development as being determined by public policies or the institutions that shape them. The problem with these starting points is that, on the contrary, the process of capitalist development is global in its content and national only in its form of realization and the subject of this worldwide process is capital rather than the state.

Indeed, the historical specificity of capitalism is that the production of goods and services useful for human life is organized not through direct relations among individual members of society (i.e., before the production process takes place) but indirectly, through the interchange of the products of labor processes performed privately and independently of each other. When producing for the market, then, private independent producers produce their own general social relationship; they produce goods that are exchangeable—commodities (Marx, 1972; Iñigo Carrera, 2004). The exchange of commodities resolves the allocation of society's labor capacities to satisfy society's consumption needs. Individual members of society enter into relations with each other as "persons whose will resides in these objects, . . . as representatives of, and, therefore, as owners of, commodities" (Marx, 1972: 84–85). Because of its impersonal character, this form of organization of social life, in contrast to its historical predecessors, can and must be universal or global.

The production of goods with the capacity to attract one another in the market—the production of value—thus becomes itself the object of the production process, and the participation of each individual producer in the appropriation of social wealth (society's total production) is limited by the amount of value produced. The valorization of value—the production of surplus value—is the most potent form of expanding that participation and therefore of expanding the reproduction of human life under the capitalist mode of production. The objectified general social relationship then becomes the automatic subject of the production process; it becomes capital.

State policies, however extensive their reach, are direct forms of organizing the process of social reproduction. They resolve the allocation of resources before the production of goods and services takes place. They are, therefore, forms of realization (modes of development) of the *general* indirect, autonomous way of organizing the allocation of resources through the exchange of commodities—the process of valorization of value on an expanded scale. In other words, they are forms of realization, manifestations, of the process of human life through capital accumulation.[1] National public policies and domestic institutions, then, are forms of realization of the global unity of the process of capital accumulation through the specific determination, within the international division of labor, of each national portion of world society's total capital.

The goal of this article is to put forward an analysis of the current political and economic situation in Latin America based on this approach to the relationship between state policies and the process of capital accumulation. This analysis will result in certain conclusions with regard to the prospects for development and transformative political action in the region. Here, the specific political configurations prevailing across Latin America will be understood as the expression (i.e., the form of realization) of different specific national forms of capital accumulation determined by developments in the worldwide capitalist mode of production. In general terms, it will be argued that capital currently accumulates in Latin America in two different forms. In South America capital still accumulates through the appropriation/recovery by industrial capital of a portion of its abundant ground rent. In Mexico and most of the Caribbean Basin, capital accumulates through the production, exploiting a relatively cheap and disciplined labor force (mainly of peasant origin) and taking advantage of the closeness of the largest national process of capital accumulation, of industrial goods for the world market. The identification of the structure, development, and potentialities of the ways in which capital accumulates in Latin America is not an abstract academic problem. On the contrary, it is a necessary part of any political action aiming at the real transformation of Latin American societies.

CAPITAL ACCUMULATION IN LATIN AMERICA: FROM IMPORT-SUBSTITUTION INDUSTRIALIZATION TO NEOLIBERAL REFORMS

Since the end of World War II and, in some countries (e.g., Argentina, Brazil, Mexico, Chile), even earlier, industrialization in Latin America has taken one particular form. Industrial capital (of both foreign and national origin) has maximized its profits and normally accumulated by producing on a small scale for the domestic market and compensating for the consequently increased production costs by appropriating a portion of the abundant wealth available in the economy in the form of ground rent.

In effect, because the market price of primary goods in the world markets is determined by the production costs prevailing in the world's marginal (i.e., least fertile or least accessible) lands, for whose product there is a solvent demand, the rate of profit is potentially higher for capitals operating in lands where, as in several regions of Latin America, relatively favorable and irreproducible natural conditions allow lower production costs. Although these lands are extremely attractive to agrarian and mining capitals, competition to rent them increases their rental prices and therefore allows landowners to appropriate the surplus profits in the form of ground rent. Likewise, if successive applications of capital, immediately suffering from decreasing yields, need to be undertaken to satisfy the existing solvent demand for primary products, the nonmarginal portions of capital will also yield a surplus profit. Competition will transform these too into ground rent. Differential rents, both "extensive" and "intensive," arise from the monopoly by landowners over portions of the planet with different natural conditions that are not reproducible by human labor (Marx, 1981: 779–787). Moreover, since the owners of marginal lands also receive a rent as a condition for allowing their productive use by capital, the commercial prices of primary goods must be set even higher above their production costs to include this rent. Unlike that of differential ground rent, the magnitude of this last portion is linked not with the fertility of the soil but with the landowners' monopoly power vis-à-vis productive capital (Marx, 1981: 882–907).[2] In contrast to all other goods and services, agrarian and mining commodities thus circulate in the world market at prices that include not only their production costs and the normal profit on the capital advanced but also a portion of value in the form of ground rent. Both parts of the ground rent are paid directly or indirectly (through the private consumption of the labor force) by global productive (i.e., industrial) capital. This therefore constitutes a reduction of the surplus value available for its accumulation; hence its power to recover it.

The accumulation of capital through the appropriation/recovery of a portion of the ground rent in Latin America has come about through specific public policies and political institutions. The former have been centered on the transfer of resources from the primary sector to the rest of the economy, mainly the industrial sector, and also on the creation of the conditions necessary to allow their appropriation. During the so-called state-led import-substitution-industrialization period and, in some cases, also afterwards, the following has constituted the core of this kind of policy making:

1. An overvalued currency (for primary goods exports, import of industrial inputs and capital goods, and the remission of profits by foreign companies) and/or export taxes on primary goods and/or state control/monopoly of domestic and international trade. All these have transferred a portion of primary-sector surpluses (notably ground rent) to privately owned industrial capitals (by setting the domestic prices of raw materials and wage-goods below their international levels and by reducing the price of foreign currency). They have also transferred a portion of these surpluses to the state not only directly (through export taxes) but also indirectly (through the payment of relatively high import taxes with an overvalued currency).

2. The provision of services, industrial inputs, and credit at subsidized prices/rates by state-owned companies and banks and the expansion of the domestic markets through their activities, including an oversized public-sector workforce and the purchase of final goods at inflated prices, both paid with the portion of the primary-sector surpluses appropriated by the state.

3. The protection of domestic markets (through tariffs or outright restrictions on imports) for locally produced industrial goods to allow the appropriation of the ground rent by industrial capital when selling its output domestically.[3]

These import-substituting policies and the populist regimes associated with them in their nationalist and developmentalist variants did not constitute a model of development implemented to solve an external problem (i.e., decreasing terms of trade) or as a response to the emerging power of the urban working classes, as is argued by structuralist and orthodox writers respectively. On the contrary, they were the political expression of a form of capital accumulation based on the appropriation/recovery by industrial capital of a portion of the ground rent available in these national economies. This was particularly the case during periods when ground rent expanded sharply such as the 1940s and parts of the 1950s, 1960s, and 1970s. When the amount of ground rent contracted or stagnated, as was generally the case after the Korean War boom and between the mid-to-late 1960s and 1970–1971, import-substitution-industrialization policies were partly set aside, and capital accumulation in Latin America slowed down. These slowdowns, which almost always included public-sector budget adjustments, currency devaluations, and wage cuts, were in most cases administered by military dictatorships (e.g., in Argentina, Brazil, Uruguay, Chile, and Peru), conservative parties (e.g., in Colombia and Venezuela), or the right-wing section of the party-state (e.g., in Mexico under Gustavo Díaz Ordaz [1964–1970]).[4]

Nevertheless, between the end of World War II and the mid-1970s, the amount of ground rent increased, on average, faster than its requirement by industrial capital in these national spaces of capital accumulation. The strong expansion of the global economy and the relatively undifferentiated reproduction of the industrial labor force (see below) were sustaining the world demand for raw materials, especially those of agrarian origin. Under these conditions, Latin American economies, notably their industrial sectors, grew rapidly, while employment and real wages increased substantially.

However profitable for industrial capital—especially foreign capital, which could valorize obsolete and sometimes already depreciated fixed capital and accumulate without spending a portion of its profits on technological development—these processes of capital accumulation were from the beginning structurally dependent on an increase in the amount of ground rent available for appropriation. This ground rent was necessary to compensate for the constantly increasing gap between local and international production costs, which in turn resulted from the difference between the local and the world market in scales of production and technological bases and their negative impact on labor productivity.[5]

Throughout the mid-to-late 1970s, however, the prices of raw materials entered, after the short-lived 1972–1975 commodities boom, into a long period of contraction (in the case of oil, the decline began in 1981 [see Figure 1]). This was apparent thereafter in the relatively slow increase in the amount of ground rent, notably during the 1980s, when productivity in the agrarian sector stagnated and the drop in prices was not compensated for by an increase in output or cost reductions (see Figure 2). Nevertheless, the slow growth or stagnation of ground rent began to be compensated for by increasing recourse to foreign credit capital, further weakening the base of these processes of capital accumulation. Since the mid-1970s, ground rent has been increasingly complemented by overproduced capital, in the form of (external) credit, in sustaining the Latin American processes of capital accumulation. However, though the former has been expanding worldwide ever since (as a way of postponing the general crisis of overproduction), its expansion has not been constant (see Iñigo Carrera, 2006a). On the contrary, it has taken the form of an alternation of periods in which fictitious capital and consequently the global supply of credit expanded rapidly and sustained world social consumption, as was the case during 1976–1979, with periods in which the opposite was the case such as most of the "lost decade" of the 1980s (with the exception of 1983–1984 and 1986–1987) (see Figure 3). It was the mid-1980s recovery of the world economy and, consequently, of the prices of raw materials and the amount of ground rent available for appropriation that led, in several South American countries, to the short-lived reintroduction of import-substitution- industrialization policies administered by democratically elected pseudo-populist leaders.

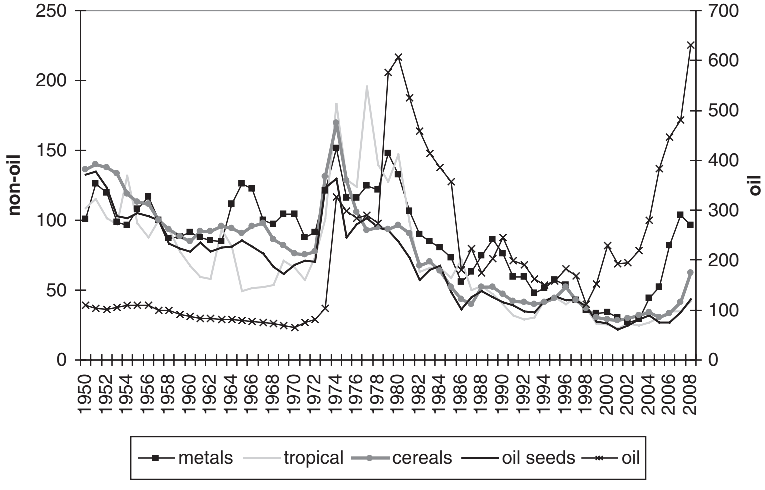

Figure 1. Real Prices of Raw Materials (1957 = 100) (International Monetary Fund, n.d.)

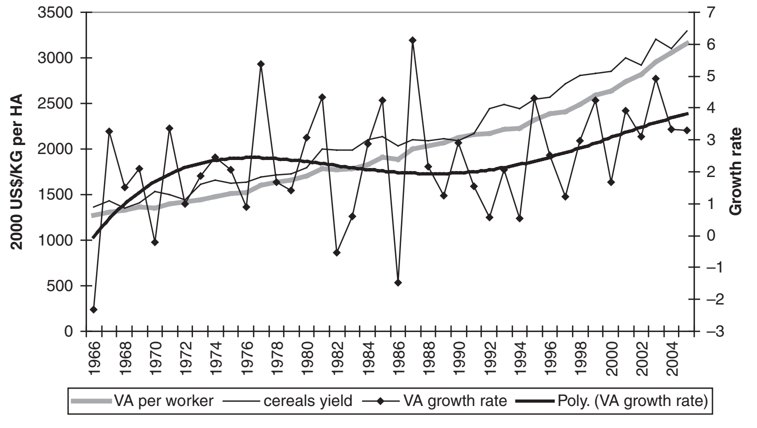

Figure 2. Productivity Measures for the Agrarian Sector in Latin America and the Caribbean (World Bank, 2007)

With ground rent and its complementary sources of extraordinary wealth (external credit) stagnating or growing more slowly than the demand for them of industrial capital, as was the case during most of the 1980s, the previous scale of manufacturing production could no longer be sustained. Policies that had been transferring a portion of the ground rent (and eventually of credit capital) to the industrial sector, therefore sustaining its profitability, were abandoned as part of the so-called neoliberal structural adjustment programs. This was most noticeable when the amount of ground rent and the inflow of credit capital collapsed between the end of the 1980s and the early 1990s. National currencies suffered strong devaluations, and import tariffs were sharply reduced. The privatization of state-owned companies accelerated while public-sector employment and most types of subsidies to the industrial

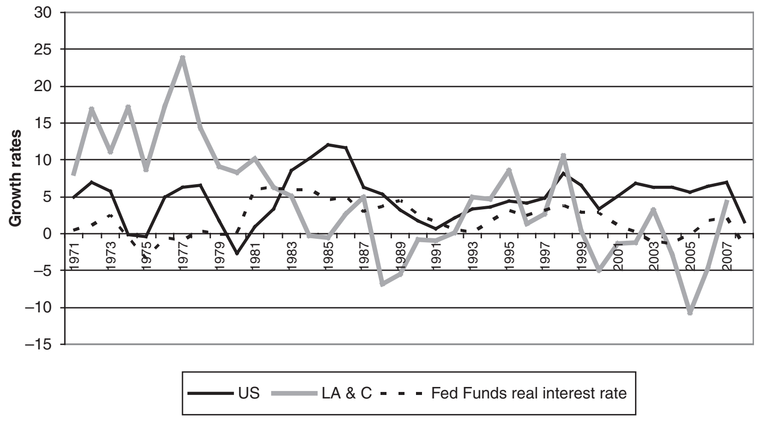

Figure 3. Foreign Debt of Latin America and the Caribbean and Total U.S. Debt (World Bank, 2007; U.S. Federal Reserve System, 2008)

sector were curtailed, eliminating yet other forms of ground rent transfer.[6] Without the resources necessary to compensate for the rapidly growing productivity gap, industrial production in Latin America contracted or, in the best of cases, stagnated (Figure 4). The demand for labor, especially in the manufacturing sector, suffered accordingly. Unemployment then mounted and real wages decreased substantially, thus creating another source of extraordinary surplus value available to compensate for the low labor productivity resulting from the reduced scale of production: the sustained payment of the labor force below its value (Figure 5).

FROM CONSERVATIVE "MODERNIZATION" TO THE EMERGENCE OF NEOPOPULIST GOVERNMENTS

Between 1993 and 1998 both the supply of credit and the amount of ground rent experienced a worldwide recovery, and so did the process of capital accumulation in most of the Latin American countries where it was heavily supported by them (see Figures 1 and 3). These resources, together with the funds raised through the privatization of state-owned companies (accelerated during the 1990s), constituted the bulk of the social wealth used to support the profitability of industrial capital. This time, however, the economic recovery could not be represented politically by national-populist governments. On the one hand, it was far from substantial or capable of sustaining significant expansion of industrial production and employment and, consequently, real-wage gains. On the other hand, the voracious pursuit of foreign loans and the extensive alienation of state-owned assets that was sustaining the process of capital accumulation were at odds with any nationalistic ideology. Furthermore, the 1990s marked (through the dismantling of most forms of social security, the reduction in public-sector employment, and the increase in the price of public services after their privatization) the acceleration of the process of differentiation of the productive attributes (i.e., skills and reproduction

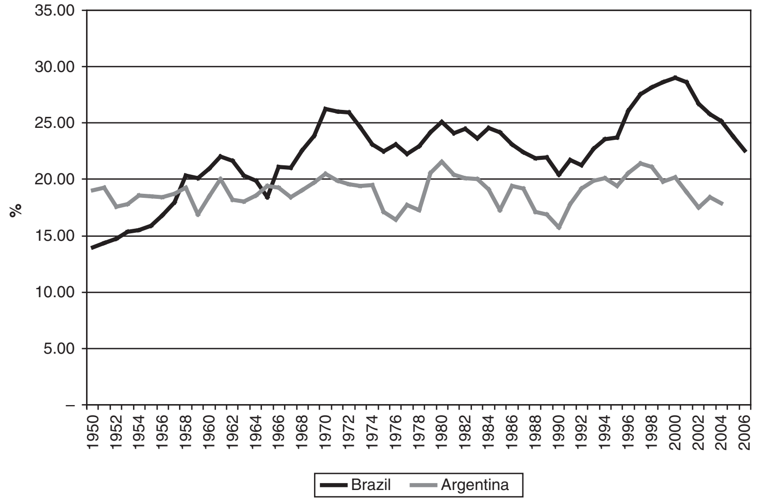

Figure 4. Labor Productivity in Manufacturing of Brazil and Argentina Relative to the United States, 1950–2006 (Iñigo Carrera, 2007; Instituto Brasileiro de Geografía e Estatistica, n.d.; World Bank, 2007)

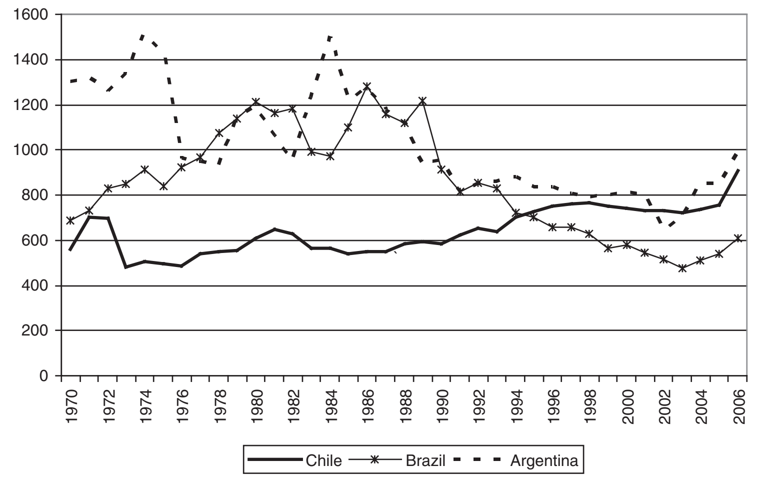

Figure 5. Monthly Wages (in 2000 US$ purchasing power parity) in Manufacturing (Formal Sector) in Chile, Brazil, and Argentina (International Labor Organization, n.d.; Instituto Nacional de Estadísticas de Chile, n.d.; Instituto Brasileiro de Geografía e Estatistica, n.d.)

conditions) of the industrial labor force resulting from the development of increasingly automated and computerized technologies. Right-of-center governments, with their "modernizer" ideology, were much better suited than left-of-center ones to undertake and realize, through their role as political representatives of social capital, these developments, especially when the "heterodox" policies of the second half of the 1980s ended in hyperinflation and massive declines of real wages.[7]

In contrast to the developmentalist stage of import-substitution industrialization, this period was characterized by the appropriation of ground rent and its complementary sources of extraordinary wealth mainly by certain parts of the industrial sector, among them those controlled by foreign-owned companies, which remained protected from external competition, and/or receiving state subsidies (e.g., automobile companies in Argentina, Brazil, and Venezuela), those directly associated with natural-resources exploitation, and the newly privatized service sector (including banks), which had a "natural" protection from external competition and extremely lax regulatory frameworks and in some cases also received state support. The latter group of companies (e.g., energy and telecommunications providers) was by then among the most concentrated industrial (i.e., productive) capitals in the world. The overvaluation of the currency became, again, the predominant form of ground rent transfer and appropriation.

The mild 1993–1998 recovery, however, was neither sufficient to reverse the deterioration produced by the severe contraction of the late-1980s-to-early-1990s nor long-lasting. By the end of the decade, a new contraction of the worldwide credit supply became apparent in the decline of the growth rate of the world economy and therefore of the demand for raw materials and global ground rent and in the reduction of the amount of credit capital (or aid) available to Latin America, especially to South America. Without these sources of extraordinary wealth, the process of capital accumulation in the region entered a new phase of stagnation and, in some cases (e.g., Argentina, Bolivia, Ecuador, Venezuela, and Uruguay), of sharp and violent contraction that manifested itself in deep political crises.[8]

The new expansion of credit capital on a world scale since 2002–2003 has again taken the form of the increased availability of cheap financial resources for the developing world, the expansion of the world economy, and, consequently, an increase in the prices of raw materials and the amount of ground rent, especially from mining lands, available for appropriation. With the expansion of these sources of social wealth, policies transferring them to the industrial sector (e.g., subsidies, market protection, and currency overvaluation or taxes on primary-goods exports) were reinstated in most South American countries, where the process of capital accumulation continued to be based on their appropriation. This expansion of ground rent has sustained a substantial recovery of industrial production and consequently of labor demand and real wages in most of South America. In the cases of Argentina and Brazil, in particular, industrial value-added, employment, and wages increased significantly (34 percent, 30 percent, 50 percent and 30 percent, 27 percent, 28 percent respectively) between 2003 and 2006, partly compensating for their previous decline.

This time, however, industrial (including those providing "public services") and commercial capitals operating domestically have not been the sole appropriators of ground rent. Indeed, calling it a measure to increase national autonomy, Argentina, Brazil, and Uruguay have used a portion of it (appropriated through various means) to cancel in advance their debts to the International Monetary Fund and other foreign creditors. This was a condition not only for subsequent access to foreign loans, as in Brazil and Uruguay, but also for reproducing the process of capital accumulation in its new political form, notably in Argentina. Under these new economic conditions, then, left-leaning parties, some nationalist, gained control of the state to represent the process of capitalist development politically in all of the South American countries except Colombia.

Of all these South American national processes of capital accumulation, however, those in Venezuela and Chile are extreme and contrastive. Is this just a matter of political leadership or institutional maturity, as their supporters respectively claim? Is Venezuela actually overcoming the Latin American limitations to economic development and successfully embarking on the road to "twenty-first-century socialism"? Is Chile becoming an economically dynamic and advanced liberal democracy? Far from it. The bases of the Venezuelan and Chilean processes of capital accumulation do not differ qualitatively from those of their South American neighbors. On the contrary, their singularities arise from the very same form of capitalist development.

First, mining landowners such as the Venezuelan state are in general more capable than agrarian ones of claiming rent by simple absolute monopoly. The characteristics of mining production (the possibility of stopping production indefinitely without losing the natural resource and the relatively high geographical concentration of productive lands and output) means that mining landowners have, ceteris paribus, more bargaining power vis-à-vis industrial capital than agrarian ones. Therefore the amount of this type of rent is relatively much greater in the mining industry than in the agrarian sector, especially in periods of high demand (Iñigo Carrera, 2007: 11–13).[9] Second, in Venezuela, in contrast to Chile, the state has since the mid-1970s been the largest owner of mining lands, and it is therefore the direct appropriator of the ground rent accruing to them. The transfer of ground rent to the "rest of the society" (i.e., industrial and commercial capital) necessarily involves the public-sector budget and therefore leads to inherently more interventionist policies and political institutions. Third, in contrast to the situation in Venezuela, the importance of rents from agrarian and maritime lands in Chile has increased in the past three decades. Their appropriation by social subjects other than the landowners has come about through "invisible" and therefore politically less expensive forms of taxation such as the overvaluation of the currency. For these reasons, a nationalist government using anti-imperialist rhetoric such as Chávez's is much better-suited than a neoliberal one such as Lagos's and Bachelet's to command and administer an expanding Venezuelan ground rent.[10] Indeed, the extensive private ownership of mining lands in Chile (controlling two-thirds of copper production) prevents the national state from taking that political form.

In fact, far from using the massive mining ground rent available for appropriation to concentrate industrial capital sufficiently to place the country in the worldwide vanguard of technological and scientific development, the Venezuelan economy has been using it to reproduce, though on an expanded scale, the previous limited form of capital accumulation. Apart from spending some resources on public education and poverty reduction, a large amount of ground rent has been transferred to and appropriated by industrial capitals (both domestic and foreign-owned) operating in the country on an internationally small scale and catering to the domestic market. This has been done through an overvalued currency for import of inputs, internationally low taxes and prices of energy and food, and the expansion of the public-sector workforce (see Weisbrot and Sandoval, 2007). Another portion has been used to nationalize a group of small-scale and obsolete industrial and service-sector capitals, thus transferring it to its previous owners. Yet another portion has been appropriated by industrial capitals operating in Brazil and Argentina through MERCOSUR (the Common Market of the South). In fact, purchases from the Venezuelan government resuscitated the defunct Argentinian shipbuilding industry. An additional portion has been used to accumulate foreign reserves and has therefore been lent to foreign governments, in particular the U.S. government. Lastly, a portion has been lent at below-market rates to borrowers with low creditworthiness (e.g., Argentina, Bolivia, Ecuador, Uruguay, Cuba), donated to poor countries in Africa, Latin America, and the Caribbean, or spent on military equipment in order to buy international support for the Chávez government.

In Chile—as in Peru, Bolivia, and Uruguay—the situation has been different. There the sharp contraction of ground rent since the mid-1970s and of credit inflows during the 1980s has resulted in the almost complete dismantling of the limited import-substituting industrial sector. Indeed, the relatively reduced amount of social wealth available and the narrowness of the domestic market have made the production of complex industrial goods for local consumption practically unviable. This has led to a return to forms of capital accumulation that predate state-led import-substitution industrialization, in which ground rent is appropriated by industrial capitals invested in the production, basic transformation, and circulation of primary goods and in the provision of services in the urban centers directly or indirectly involved in their export. Substantial parts of the mining ground rent have also been wasted in funding an oversized and overdeveloped military sector and since 2006 have been put into two national wealth funds and lent to borrowers of dubious solvency. In fact, most of the consumer-durable and capital goods consumed in Chile are currently imported. There, as in Peru, free-trade agreements with the United States have realized this transformation. Uruguay's and Bolivia's economic dependence on the MERCOSUR countries has so far made this difficult.

FROM IMPORT-SUBSTITUTING TO EXPORT-LED INDUSTRIAL GROWTH IN THE CARIBBEAN BASIN

The post-mid-1980s trajectory described above has not, however, been common to the entire region. In contrast to South America, Mexico and most of the rest of the Caribbean Basin have, since the second half of the 1980s, enjoyed an almost continuous increase in industrial production and employment and a massive increase in exports of manufactured goods. Has this been the result of the market-friendly policies implemented across the region, as neoliberal authors claim, or the triumph of U.S. "imperialism," as some of their critics (see, e.g., Edwards, 2007; Fraga, 2004; Chomsky, 1996) argue? Neither of these explanations is sufficient in itself; both are forms of realization (not determinants) of the global unity of capital accumulation.

By the mid-1980s, the process of capital accumulation in Mexico, Central America, and other parts of the Caribbean Basin had begun to take a new form different from the one that remained characteristic of South America. In the Caribbean Basin, industrial capital began to accumulate by producing goods for the world market with a relatively cheap and disciplined local labor force. The latter has been particularly productive when working as an auxiliary of machinery or in the manual assembly of components and parts, reproducing there the pattern of development followed by the so-called East Asian Tigers since the mid-1960s (Iñigo Carrera, 2004; Grinberg and Starosta, 2009).

Five main factors have made these countries platforms for the assembly of commodities such as textiles, electronics and microelectronics, and, in Mexico, auto parts and vehicles for the global market:

1. Technical developments taking place on a global scale since the late 1960s such as the automation of industrial machinery and the computerization of its calibration for serial production. These have simplified most of the tasks performed by the portion of the collective labor of large-scale industry working as an appendage of systems of machinery (e.g., in the automobile and auto parts industries) and increased the number of work processes demanding simple unskilled manual labor for the assembly of components and parts (e.g., in the electronic and microelectronic industries that are at the base of the modern automated systems) (see Alcorta, 1999; Iñigo Carrera, 2004).

2. Improvements in transport and communications (e.g., telecommunications, containerization, larger oceangoing ships) resulting from these technological developments.

3. Most important, the availability of masses of relatively cheap labor-power, mostly of peasant origin, whose productive attributes include disciplined subordination to central authority and habituation to labor-intensive activities.[11]

These three attributes have increased the productivity of labor functioning as an auxiliary of a system of machinery or in the manual assembly of inputs and components vis-à-vis labor forces from other countries with similar wage levels. Indeed, they have been the core elements of the new international division of labor based on the increased differentiation of the labor force (see, e.g., Fröbel et al., 1980; Iñigo Carrera, 2004).

In addition, the sharp contraction, during the 1980s, of the amount of ground rent available for appropriation and of the net inflow of credit capital that had complemented it substantially weakened the bases of the previous form of capital accumulation at the same time that, through the contraction of industrial production, employment, and wages it produced, it expanded the bases of the new one. Finally, the short distance between these countries and world markets, especially the United States, has given them a cost advantage vis-à-vis their Asian competitors.

In Mexico and the rest of the Caribbean Basin, then, neoliberal "reforms" implemented since the mid-1980s have made these countries new sources of relatively cheap and disciplined labor-power for labor-intensive, export-oriented industries. The neoliberal policies implemented there included not only the lifting of any restriction on industrial capital of foreign origin (e.g., in terms of ownership, sector of production, or "local content" regulations) and on the flow of goods across borders but also legal limitations of unionization and, in Mexico, the "informal" repression of the female labor force in the maquiladora industry as a way of keeping domestic wages as low as

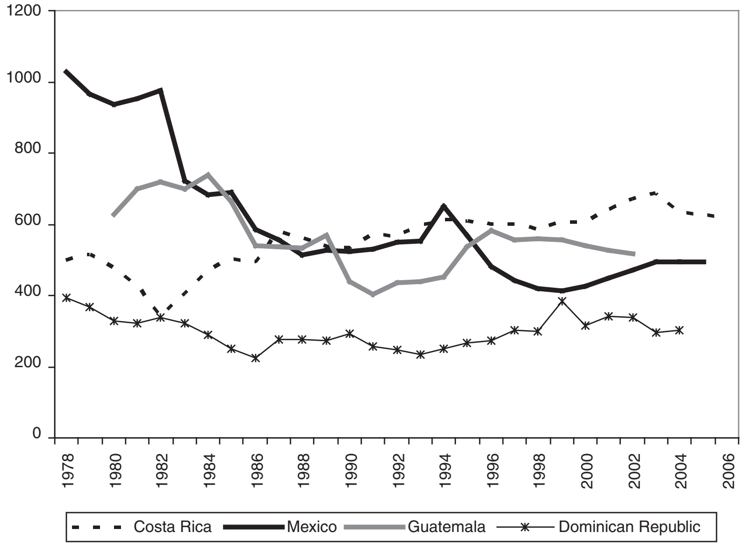

Figure 6. Monthly Wages (in 2000 US$ purchasing power parity) in Manufacturing in Costa Rica, Mexico, Guatemala, and the Dominican Republic (International Labor Organization, n.d.)

possible (see, e.g., Cooney, 2001; Arbruster-Sandoval, 2003). In fact, with the exception of Costa Rica, where microchip assemblers have become established, manufacturing real wages in these countries have been consistently below their pre–debt-crisis level. In Mexico, where the surplus of labor is massive, real industrial wages in the early 2000s were half of their 1980–1982 values (see Figure 6).

Exports of labor-intensive industrial goods have expanded in all these countries. They have become platforms for the assembly of garments, electronics, and, in Mexico, where industrial production during the period of import-substitution industrialization had developed far more than in the rest of the region, also vehicles and auto parts for the world market. In Mexico, for instance, exports of industrial goods increased from US$6.4 to US$147 billion between 1983 and 2002, while employment in manufacturing grew from around 3.5 to 7 million (after having declined by almost 15 percent during 1981–1984). During the same period, employment in manufacturing contracted severely in the largest South American economies, notably in Argentina. In Costa Rica and the Dominican Republic, two other exporters of labor-intensive manufacturing goods, industrial employment grew from around 105,000 and 140,000 to approximately 240,000 and 350,000 respectively between the mid-1980s and 2005. This, too, markedly contrasted with their performance during the immediately preceding period.

Indeed, the North American Free Trade Agreement entered into by Mexico in 1995 and the individual free-trade agreements signed by each country of the region with the United States and later with the European Union, which are the basis for the FTAA pushed forward by the United States and strongly supported by Mexico, are the final expression rather than the starting point of these transformations (see Gruben, 2001). The changes began in the mid-1960s with the implementation of the Border Industrialization Program between Mexico and the United States, slowed down from 1973 to 1982, when the amount of ground rent and of the net inflow of external credit capital sharply increased (notably in Mexico during the "oil shocks" of 1973–1974 and 1979–1980), and accelerated thereafter when the contraction of the amount of ground rent and credit capital reduced the profitability of industrial production based on their appropriation vis-à-vis that prevailing under the new system. Indeed, the 1964 Border Industrialization Program, implemented on the U.S.-Mexican border to replace the 1942–1964 Bracero Program regulating the flow of Mexican rural migrant workers into the United States, already promoted by different means (e.g., tax exemptions and lax regulation) the establishment of the foreign-owned in-bond export processing plants later known as maquiladoras.

THE PROSPECTS FOR LATIN AMERICAN DEVELOPMENT

The identification of the different forms in which capital accumulates in Latin America is not an abstract academic problem. On the contrary, it is a necessary part of any political action aiming at the real transformation of the Latin American societies. Therefore several conclusions can now put forward with regard to the current political situation and the region's developmental prospects.

First, it is clear that both forms of capital accumulation constitute a limit to the development of the productive forces of society. Both raise a barrier to the introduction of modern technology and depend for their reproduction on the payment of the labor force below its value or on the relative simplification of industrial work processes. Thus both restrict the development of the productive capacities of the Latin American working class.

Second, the strong opposition of Argentina, Brazil, and Venezuela to the implementation of the FTAA, in sharp contrast with their previous neoliberal orthodoxy, does not come from the recognition by their political leaders and populations of the policy failures of the 1990s. It arises from the recovery of the amount of ground rent available for appropriation and its capacity to sustain industrial production for the protected domestic/regional markets. It therefore rests on weak foundations. It is not difficult to imagine that if the amount of ground rent available for appropriation were to contract again as it did in 1989–1992 and 1999–2002, there would be further deindustrialization in Argentina and Brazil as there was in Chile and elsewhere in South America, along with a widespread decline of real wages and an increase in poverty there and in the rest of the region. In turn, Mexican and Central American support for the neoliberal project for the region and the powerlessness of internal opposition to it expressed in the electoral fraud in Mexico and the recent defeat of the No side in the Costa Rican referendum on the Central American Free Trade Area are an expression of the way in which capital accumulates in each of these countries (through the production of industrial goods for the world market with an unskilled labor force).

Third, it is evident that none of these Latin American countries can overcome these limitations on its own. The scale of these processes of capital accumulation would not be sufficient to allow them to compete in the world market through the absolute development of their productive forces even if all their capital were concentrated under public ownership. They can resolve their economic problems only through political integration. But then the question is what kind of integration.

The market-led integration of South America (see Baer et al., 2002)—through MERCOSUR and the Comunidad Andina de Naciones (Andean Community of Nations)—reproduces the present form of capital accumulation on a larger scale. It expands the domestic market for sectors, such as automobiles and other durable-consumer goods, that are still protected from imports (see Iñigo Carrera, 2006b). A state-led integration that concentrates capital and creates state-owned regionwide companies for the production of industrial inputs and the provision of social infrastructure but leaves the rest of the productive structure untouched or, worse, promotes the development of small and medium-sized companies, as many of Chávez's supporters propose (see, e.g., Calcagno, 2004), would not be enough to reverse the surplus of labor in South America, especially if the current commodities boom turned into a bust and the amount of ground rent contracted again.

Overcoming the limitations to the development of society's productive forces that arise from both forms of capital accumulation requires the concentration of industrial capital in every branch of production on the scale necessary to compete in the world market through the vanguard development of technology, using the extraordinary social wealth available in the form of ground rent to enhance this process rather than to retard it. This transformation, which would fully realize all the potentialities of the process of capital accumulation in Latin America, would most likely involve the partial or complete abolition of private property in capital and land and the creation of a continentwide national state. It remains to be seen, however, whether the amount of social wealth in the region is sufficient to achieve this and to create a large enough domestic market for capital to accumulate normally. Given sufficient wealth, it would most likely be for the continent's working class to organize and undertake the process. The fact that not a single Latin American political party has this as its agenda raises questions about the possibility of this transformation.

NOTES

1. It is regarding the conditions for the normal reproduction and exploitation of labor-power (the commodity that determines the specificity of the capitalist mode of production) that Marx shows that state policies are the form of realization of economic determinations: "The value of the labor-power includes the value of the commodities necessary for the reproduction of the worker, or for the keeping up of the working-class. If then the unnatural extension of the working-day, that capital necessarily strives after in its unmeasured passion for self-expansion, shortens the length of life of the individual laborer, and therefore the duration of his labor-power, the forces used up have to be replaced at a more rapid rate and the sum of the expenses for the reproduction of labor-power will be greater; just as in a machine the part of its value to be reproduced every day is greater the more rapidly the machine is worn out. It would seem therefore that the interest of capital itself points in the direction of a normal working-day" (Marx, 1972: 266). "Capital that has such good reasons for denying the sufferings of the legions of workers that surround it, is in practice moved as much and as little by the sight of coming degradation

and final depopulation of the human race, as by the probable fall of the earth into the sun. . . . But looking at things as a whole, all this does not, indeed, depend on the good or ill will of the individual capitalist. Free competition brings out the inherent laws of capitalist production, in the shape of external coercive laws having power over every individual capitalist" (269–270). "The changes in the material mode of production, and the corresponding changes in the social relations of the producers gave rise first to an extravagance beyond all bounds, and then the opposition to this called forth a control on the part of Society which legally limits, regulates, and makes uniform the working-day and its pauses" (298–299). Marx also shows here that capital's need to impose a normal workday through legislation (i.e., state regulation) can only take the form of a struggle between the class of individuals who sell their labor-power (and personify this commodity) in exchange for a wage and the class of individuals who buy it (personifying capital). In other words, he shows that the determination of and struggle between social classes in capitalism is a form of realization of (i.e., determined by) the autonomous process of capital accumulation. "The history of the regulation of the working-day in certain branches of production, and the struggle still going on in others in regard to this regulation, prove conclusively that the isolated laborer, the laborer as 'free' vendor of his labor-power, when capitalist production has once attained a certain stage, succumbs without any power of resistance. The creation of a normal working-day is, therefore, the product of protracted civil war, more or less dissembled, between the capitalist class and the working-class." (299). Drawing on this analysis, Iñigo Carrera (2004) develops his account of the capitalist state as the political representative of social capital. This is the approach adopted here.

2. When the agrarian capitalist and the landowner are the same person, the ground rent is mixed with agrarian capital's profit.

3. See Iñigo Carrera (2004; 2007) for the original account, based on the Argentine experience, of the unity of this set of policies as forms of realization of this specific form of capital accumulation and Grinberg (2008) for an analysis of the Brazilian case. The appropriated ground rent as a percentage of total surplus value in Argentina and Brazil from 1953 to 2007 averaged 16.2 percent and 14.5 percent respectively. In Venezuela, the financial contributions of PDVSA, which underestimate the amount of ground rent appropriated by industrial and commercial capital, averaged 35 percent of the economy's net profits during the period 1950–2002 (computed using data from Baptista, 2006).

4. Between early 1970, when Allende was elected in Chile, and the third quarter of 1973, when he was removed by a military coup, the price of copper, a commodity that generated 80 percent of the country's export revenues and helped fund the import-substitution-industrialization effort promoted by the socialist government, fell by 40 percent. When Brazilian ground rent expanded massively during the 1970s and led to policies aimed at "deepening" the import-substitution industrialization program, the moderate sectors of the military replaced the hardliners in controlling the state. Ernesto Geisel's "opening" ensued, and, while the boom lasted, real wages grew faster and more uniformly than during the preceding period, thus helping to expand the domestic market.

5. This is not a problem of matter of declining versus increasing terms of trade of primary goods but one of the relationship between the amount of ground rent (which could be increasing even in a context of declining terms of trade) available for appropriation and its requirement by industrial capital to compensate for the productivity gap.

6. This also expressed the beginning of a process of differentiation of the productive attributes of different segments of labor in large-scale industry.

7. It has been argued elsewhere that neoliberal policies have been the result of the defeat and/or deception of the Latin American working classes by national bourgeoisies or their leadership or of pressure from imperialist powers such as the United States or the European Union and the multilateral organizations they control. The problem with this type of explanation is that it does not fully explore that reasons for the power of some sectors and the powerlessness of others and the differences in bargaining power of different interest groups, which are usually explained in terms of their "historical development." Economic factors tend to be viewed merely as triggers or as "deadlock breakers" in these struggles. Furthermore, before the mid-1980s import-substitution industrialization programs were, in general, supported not only by national bourgeoisies and working classes by also by the United States, the World Bank, and the General Agreement on Tariffs and Trade through their policies, loans, and trade regulations respectively.

8. The brutality of the 1970s–1980s military dictatorships and the post-1980 massive expansion of surplus populations in the region reduced capital's necessity to resort to politically expensive military coups to administer the sharp reduction in real wages. Nevertheless, when the circumstances required, the sudden change in policy came about through the overthrow of elected governments, sometimes by popular movements, and their replacement following legal procedures. See Iñigo Carrera (2006b) for an analysis of the 2001–2002 economic and political crises in Argentina as ways of reproducing this form of capital accumulation.

9. This monopoly power is, however, reduced in the case of natural gas because of the technical difficulties involved in its transportation.

10. The same applies to the cases of Bolivia and Ecuador, where left-wing presidents were elected in 2006.

11. See Wittfogel (1957) for the historical origins of these productive attributes in the so-called hydraulic societies of Asia and Mesoamerica. In the latter, the brutality of the Spanish colonization and the implicitly segregationist and patriarchal societies that emerged from it reinforced the disciplined character of the labor force of native origin. These productive attributes are not generally present in South American labor forces.

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