

If CASTRO wanted to save his regime from a total economic bankruptcy, he had to accept some reforms which were not in accordance with the principles of Communism. Therefore he allowed, for example, the running of private restaurants, carrying out different types of services, and owning foreign currency (earlier it was castigated by many years of prison).

Recently he started to support the expansion of tourism. As a result of all these reforms, the economic situation has improved slightly, but its price was letting go in a certain way of the principle of equality. The difference between the group who has access to the profits from the tourism sector and the one who does not have is deepening.

### 3. OTHER COUNTRIES IN LATIN AMERICA

Apart from Cuba, there appeared various forms of socialism in Latin America (e.g. in Nicaragua, Chile, Bolivia, Guatemala, Peru, etc.) Some of them even declared themselves as “the third way, between capitalism and socialism.” Unlike in Europe, most of these had their roots in the grave economic and difficult political situations of their respective countries, and in the low living standard of large parts of the population.

For their formation, it was also important that the economy (and often the politics as well) of these countries were depending on American capital to a high degree. So the socialists promised that nationalisation would bring not only social justice, but also independence from the United States.

The incapability to resolve economic problems in the short term, the strong anti-American policy, and the fear of Marxism that they inspired, mostly led to quick ends for these governments.

### SOCIALISM IN LATIN AMERICA AND EUROPE

Comparing socialism in different regions, we find that it cannot be classified only according to its belonging to one continent or another. There are some characteristics that are typical for a specific continent, for Europe or Latin America, but there are also others that are intercontinental because they are bound to a certain definition of the term “socialism”.

Similarities thus exist, yet there seems to be a major difference between Latin American-type socialism and the European cases. This key difference between the Cuban case (as well as other socialist experiments in Latin America) is that there revolutionary movements mostly overthrew dictatorships and then implemented an alternative model. It was a matter of domestic politics. In the cases of most Central and Eastern European countries, however, communism was imposed from outside.

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Lucas VEIRA SAND

## *Putting Recent Argentine Economic History into Context*

“Send this loaded galleon to Seville,  
dispatch that steamer to Southampton,  
pay the debt!”

*When walking Buenos Aires' downtown streets on a busy Friday morning, it is not hard to hear businesspeople talking about Latin America (L.A.) and Western Europe (W.E.) being worlds apart, with different histories, cultures and — of course — living standards. But I believe W.E. and L.A., though not always on the same track, are economically integrated, as they became five hundred years ago.*

### AN EVERLASTING SOURCE OF RESOURCES

As it is known, in the XVI<sup>th</sup> century huge changes were touching human life in many spheres, e.g. sciences, arts, politics, economics, theology. The European arrival on the American continent was not just a colourful tale about two big groups of cultures meeting.

In the economic sphere, it became the miracle of finding an “everlasting source of resources” for the starving W.E. economy. The circumlocution of Africa was being achieved almost at the same time.

The Middle Age and its feudal mode were amidst decay: new land property relations (France and England), a renewed fluid commerce based on harbours (Italy), an increasing role of banks (mainly German and Flemish) and a new social stratification had been taking place since the XIV<sup>th</sup> century, just to mention some phenomena.

Modern expansion machinery had now been developed, while the new land was to provide its fuel through colonialist relations. The development economy of W.E. required precious metals and now a new continent was able to provide such wealth.

Exceeding three times the total reserves in Europe, 185.000 kilograms of gold and 16.000.000 of silver arrived just to Seville harbour between 1503 and 1660 (not including the immeasurable traffic).

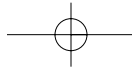
Spain, whose sword left more than 60,000,000 native people dead in a couple of centuries, was sunk into debt due to luxury and a yet unproductive economy. Hence, the fresh wealth quickly spread by the rest of W.E., the creditor.

### INDEPENDENCE AND INFLUENCE

After L.A. countries gained political independence during the XIX<sup>th</sup> century, their new dominant classes pursued a cultural model based on some of the North. The United States of America became a model for many countries in the region.

In the case of Argentina, a few European countries embodied that model. Strong historical ties to Spain are visible. Britain used to monopolise commerce: raw materials were exported to Southampton or Liverpool to be manufactured and resold. Taking a glance at XIX<sup>th</sup> century Buenos Aires architecture, different aesthetic styles may be observed, each related to a certain paradigm.

Focusing now on recent history, popular alternatives to traditionally North-oriented governments went about winning a larger space in civil society in L.A. by the early seventies. A



systematic plan for the region, however, involving most L.A. military forces, was designed to eliminate those popular alternatives, political opposition and any voice of dissent by brutal repression.

Though the plan was not made in the region but in the United States, it was more bloodily implemented in the Southern Cone countries. It took place at similar times in these nations and used to have the Western countries' approval. Argentina experienced dictatorships from 1966 to 1973 and from 1976 until 1983; Brazil from 1964 to 1985; Chile from 1973 to 1990; Paraguay had a "one-party democracy" from 1954 to 1989; and Uruguay suffered a lack of formal democracy from 1973 to 1985. That is called *Plan Condor*. Former Chilean dictator PINOCHET is facing charges about this precise matter nowadays.

### LIBERATION THEOLOGY

During that time, a new theological perspective born in the L.A. region was becoming more influential. Liberation theology put an eye on that unpronounceable issue: poverty, or maybe the poor and the oppression over them.

God's creation is threatened in several ways. Politics and economic relations were no longer outside issues for theology. Huge questions developed on the table of Christianity. In most L.A. countries, several churches experienced crucial discrepancies between those tied to the traditional hierarchy and those engaged in a renewed vision.

In Argentina, the ones fully committed to this perspective suffered systematic persecution, threats, torture, disappearance and murder, while most of the ones related to traditional oligarchy either kept silent or proactively promoted state terrorism.

### CULTURE OF FEAR

The high correlation index between paramilitary or state terrorism violence peaks and gross economic exclusion became notorious. In Argentina, those peaks are most observable in 1975, 1976 and 1978.

At the same time, inequality and debt increased astronomically. Terror was exerted by the state not only upon a group, but also upon the whole civil society through silence and the "culture of fear": conscious self-censorship took place.

In the meantime, W.E. was experiencing the cold war and the crisis of the welfare state model, of which the L.A. version was populism. The neoliberal state model, mentored by Friedrich HAYEK from Austria, was welcomed by the establishment.

The dearth of cash dollars due to the oil crisis induced the necessity for international banks to lend great amounts of money. Those could become debtors who were ready to accept high interest rates while being unable to declare bankruptcy.

Third world states under dictatorships, mainly in L.A., were targeted. These governments were thirsty for cash money and overcoming more than fifty years of external financial restrictions.

### SWEET MONEY

In Argentina, that money was destined for financial speculation (exchange-rate control), corporation fraud (their back-to-back self loans were paid by the national state) and weapons.

Thus the debt did not benefit at all those who are paying it today through unemployment, poverty and high taxes on consumption. The dictatorship also hurt the low-capacity industry. Hence, the country's economy was only ready to export meat and seeds and to attract speculative capital.

Everything else was to be imported and the state would intervene in the least possible way in the economy. Neoliberalism, the new Western model, had bared its early L.A. face. The state was becoming more absent in the economy while more present in disappearances and torture.

Whereas the middle and upper classes were experiencing "plata dulce" (sweet money), buying imported luxury objects around the world for the first time, poverty grew from 2 to 10 millions people and debt raised from 3 to 45 billion dollars during 1976-1983.

### THE LOST DECADE

The downfall of the dictatorship due to several banks' bankruptcy and the posterior Malvinas war deception in the early eighties brought back democracy. Though the new government put those responsible for state terror on trial, they were released sometime after.

Democratic officials and parties were unable to address the debt issue and its interest taxes were always paid. Devaluation in order to increase exports so that foreign currency was obtained to pay debt caused more inflation and poverty growth.

Thus a new crisis emerged in 1989. Most of the wealth produced within the country was flowing in another new way, and a chance for development was being wasted again. Even though slightly better industry conditions were achieved, GDP stayed the same from 1980 to 1992. That is why the eighties are usually presented as the "lost decade".

### THE WASHINGTON CONSENSUS

New policies about the debt were getting consensus in the North at the end of the eighties. The Baker Plan was designed to recycle funds, via World Bank credits. These new credits would be available upon achievement of structural reforms in L.A. countries' economies; hence the debt became a *lever* to impose certain policies, designed by "The Washington Consensus".

A newly-elected government followed up these suggestions and explicitly implemented neo-liberal policies throughout the nineties. President MENEM's ministers tried to eliminate



inflation by “ley de convertibilidad” (convertibility law) equalizing the Argentine peso to the U.S. dollar.

At the same time, the first reform of the state was initiated: large trade liberalisation and economic opening were carried out as most public companies were privatised, many of them under a corrupted process.

European holdings bought many of those key enterprises investing over-valued debt bonds. This happened with the consent of Argentine officials and following IMF “suggestions” for a smaller and more efficient state and better debt negotiation. So the debt did not decrease while very little real money was collected during privatisation.

Minister DROMI had an unbelievably clear slip (lapse) in a conference during the time of that process: “Nothing that must stay under state control shall be kept under state control.” The new private management companies were able to collect huge benefits, profiting from the artificially high peso exchange rate and transferring billions of dollars to their headquarters in North America and Western Europe.

### THE BRADY PLAN

In the North, a new strategy was designed for debtor countries. The Brady Plan was implemented in 1992 to avoid any chance of financial system bankruptcy by inviting banks to issue debt bonds, which were to be sold to new anonymous creditors.

A second reform of the state continued this task from the mid-nineties by “adjusting” (reducing) investments in health, education and social matters also at the level of the provinces. A major reform of labour laws was executed, defeating historical rights won by the working classes.

Currency stability overcame high devaluation and an increase in imports substituted for export growth. The trade balance was negative and exports limited to raw materials and seeds, with less added value due to a lack of manufacturing. Unemployment rose up to 18 per cent.

The political opposition took power in 1999, but no meaningful change took place. By 2000, the debt was around 150 billion dollars while almost 200 billion had been already paid since 1976. The 2001 crisis related to both political and economic matters: corruption and the lack of representation on the one hand, the failure of economic plans on the other.

### THE END OF CONVERTIBILITY

That was the end of “convertibilidad” and the beginning of a new inflationary process. The IMF still does not fully acknowledge its role in the failure, blaming all the wrongs on the debtor. The current government is renegotiating the actual value of debt bonds.

International bondholders made various demands against the Argentine state, especially in Italy and the United States of America, to obtain complete payment of capital and interest rates. Though the Argentine government may be quite successful in reducing 75% of the amount of this debt in default, a huge portion of the debt is not on bondholders' hands but in multilateral bodies.

That part of the debt, which has never been under default, grows every day. It stands as a mechanism of economic dependency (most national decisions require IMF and World Bank endorsement) and its cycle of getting new credits to pay old debts is intact.

But those organs are just formal managers. The domestic wealth goes to economies of the North, the main contributors to those bodies. The role of the debt as a key issue from thirty years ago to the present is critical to understanding the current reality, and also to transforming it.

As an instrument, the debt works in a “U” way: a proper middle-tension is required to avoid both extremes, i.e. the total incapacity of paying to creditors and the full definitive

payment. In case of either of these two options, the mechanism is over and a major tool to impose policies is lost. On the contrary, an in-between location keeps an “eternal” recycling and a sustained flow.

### LOSERS AND WINNERS

L.A. has worked as a fuel provider to the European expansion machinery and the growing global market. Europe has embodied the promise of development for L.A. and a credit and technology supplier.

L.A. became a provider of resources and wealth; W.E. stands as the one that also accumulates, the producer of added value and a technology exporter. Both of them belong to the same world, a global market that needs at least two faces in order to accumulate.

Mutual interdependency is established, modernising its links. The debt is one of the latest mechanisms. As the Uruguayan writer Eduardo GALEANO points out, the division of international labour consists in some being specialised in winning, while the others specialise in losing.

### GLOBALISATION: REBUILDING THE PUZZLE

What is today called globalisation is, indeed, a process of embodying a unique whole-earth market, which started long time ago and was probably only decelerated during a part of the XX<sup>th</sup> century due to the world's partition into two blocks.

The process now reaccelerated with an increasing tendency to more wealth concentration. After the fall of the Soviet orbit, Central and Eastern European countries are required to develop a free-market economy in order to get “re-inserted into the world.”

Former colonial relationships have become current imperial ones. Keeping colonies as occupied territories became expensive, unproductive and even old-fashioned. Nowadays, Northern hegemony is rather exerted culturally and economically.

It is enough to impose certain economic and cultural models and rules sharper and more efficiently. It is not about the good and the bad guys, but about understanding a little more of the complexity of the global market and current late capitalism stage.

The point is that a historical wealth flow from South to North and from East to West is easily observed. The mechanisms changed: indiscriminate sacking of metals in XVI<sup>th</sup> century; raw materials export to Europe during industrialisation; today the debt and commercial unilateral terms (EU-MERCOSUR liaisons, Free Trade Agreement of the Americas (FTAA)).

A cultural and political tie where economy rules. Inequality becomes not an undesired effect, but a necessity. We should rebuild the puzzle, as Jean-Paul SARTRE said, joining all the scattered little pieces to be able to observe the whole picture again, becoming actively committed and more conscious, hence exerting collective pressure about the debt and deconstructing mechanisms of inequality.

#### Suggested Reading

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