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Briefing Paper 1/2007

Statehood and Governance: Challenges in Latin America

Although Latin America is the world's most democratic developing region and democratization has also caused an economic dividend, many Latin American democracies have a precarious basis of legitimacy. While most Latin American states are not as fragile nor as repressive as in some other regions, there are still serious political deficiencies in many of the subcontinent's societies. No-go areas in urban centres and remote rural areas, high-levels of corruption and soaring levels of criminal violence are the most prominent among these shortcomings. Such political deficiencies are highly dysfunctional for overcoming existing socio-economic development barriers. One of the main origins of existing political problems and governments' fragility is that most of Latin America's democracies have not succeeded in establishing stable and democratic party systems. The fragmentation of the intermediary structure between citizens and state has not only made coherent reforms increasingly difficult but also encouraged governments to engage in populist "dirigismo" and "decretismo". Thus, the promotion of "good" governance should continue to be a focus of development assistance.

1. Stability and political transformation

Almost three decades after democratization processes began in Latin America, most of its democracies are still defective. On the one hand, the core feature of representative democracy, free and fair elections, has been established in all Latin American countries except Cuba. On the other hand, there are yet no consolidated democracies governed by the rule of law except Costa Rica, Chile and Uruguay. In almost all the Latin American democracies, their pronounced heterogeneity notwithstanding, the rule of law is still restricted. Thus, even if the processes of democratization in Latin America have initiated significant political change, these transformations have not necessarily culminated in coherent patterns of government conducive to broad-based economic development. Democratization processes are periods of deep institutional changes, which will be accompanied by profound distribution conflicts among the actors involved. Therefore, the new context of old and new political actors have difficulties in agreeing on governance structures, which do not serve special interests but rather encompassing development. While the latter argument can be made for virtual any region, where Latin America is concerned, two aspects are of special importance:

On the one hand, democratization in Latin America has created new avenues of political pressure for societal groups previously excluded. On the other hand however, it has often proved impossible to reform political parties responsible for the aggregation of citizen's interest and to bring such parties in line with the principles of democracy. The absence of parties with comprehensive programmes respectively the fragmentation of most party systems has well increased reform barriers, and favoured a renaissance of populist rule and incoherent or dysfunctional state structures.

The resulting political instability, which can be observed in several Latin American countries is at least to some extent a new phase of political transformation. Sections of the population who have remained politically largely excluded despite of democratization processes are demanding that their interests be taken into account. Yet, many members of the elites are reluctant to engage in more encompassing governance reforms. In many cases, this tension has given rise to serious crises of legitimacy for Latin America's democracies.

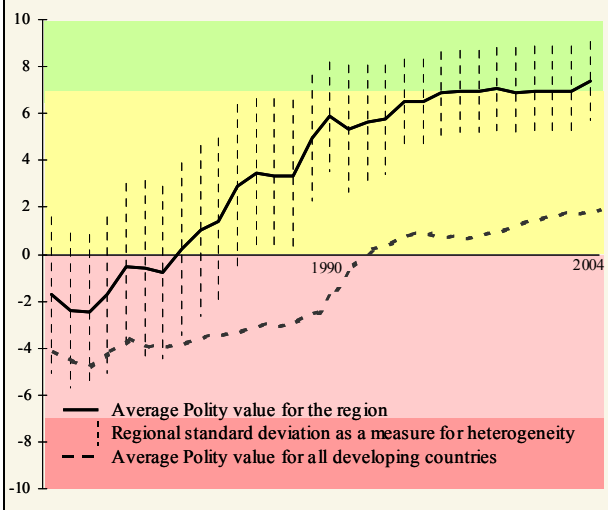
2. Dimensions of governance and statehood

Legitimacy: Legacies of negotiated democratization

Since the late 1970s, Latin America has undergone a massive democratization process. In terms of procedural criteria, in the vast majority of the Latin American countries political participation and political competition are regulated in such a way, that they qualify as democracies. Democratization at national level has also been accompanied by processes of political decentralization. Latin America has become the most democratic developing region. Neither in Sub-Sahara Africa nor the Middle East nor Southeast or Central Asia have such levels of democracy been achieved as in Latin America. Consequently, as Figure 1 shows, the average level of democracy in Latin America is well above the average for the total of developing countries.

Although rising levels of democracy in Latin America have had some positive effects on socio-economic development, many governments have been unable to

Figure 1: Average democracy value for Latin America (1975-2004) (22 countries)



Source: Polity IV (www.cidcm.umd.edu/polity). The scale stretches from –10 to +10. The higher the value, the more democratic the features of a country's political system.

counter socio-economic distortions of their societies in a more sustainable manner. The extremely unequal distribution of opportunities for individuals to shape their life according to their preferences is reflected in extensive poverty, unequal education opportunities and economically motivated violence; the last of these especially among young people, who represent the future standard-bearers of democracy.

These phenomena, which are encountered particularly in the Andean region and parts of Central America, contribute to the erosion of democratic legitimacy.

Democratization meant an intensification of distribution conflicts between the previously privileged members of autocratic regimes and the bulk of the population, now equipped with political rights. An added difficulty was that, Chile aside, most young democracies had to transform an exhausted economic model. The simultaneous advent of democratization and sweeping economic reforms facilitated the division of actors into potential winners and losers of these transformation processes. Economic crises – and in Central America many cases of civil war – at the beginning of the transformation also led to extremely short time-horizons and correspondingly short-term strategies of the political class. Despite of these challenges during periods of collective reorientation, the decisive actors generated at least temporary stability by means of elite pacts. Decision-makers or caudillos at the head of their political organizations arranged a rather top-down process, which at least in the short term, brought an elite consensus conducive to stability in an environment characterized by transformation.

At the same time, however, these elites made what was a serious mistake from the collective viewpoint of Latin American societies. While the political rules were changing, political elites omitted to open their political organizations to new actors and new political circumstances. The problem for Latin American democracies thus consists not in the growing articulation of new political interests but in the virtual absence of reaction to this development from the organizations responsible for interest aggregation – namely the political parties.

In most cases, democratization and market reforms smashed organizations that had traditionally been responsible for the development of national programmes and elite recruitment. Corporatist structures in trade unions, business and government administration that had evolved at the time of import substitution eroded under the economic reforms. As an "organizer" of national strategies, the military lost its organizational strength and (initially) much of its former legitimacy. At the same time, democratization created opportunities for new actors from parts of the society, which had hitherto barely been heeded. Indigenous people, environmentalists, the landless, etc. began to form at least rudimentary organizations and started to put their demands on the political agenda. This development, welcome in principle, raised problems, however, since the political parties, the potential organizers of encompassing designs for society, mostly failed to integrate these new actors. Despite societal change, most parties persisted in decrepit, caudillistic structures, whose elites today are representing increasingly small segments of society.

Monopoly of power: heterogeneity in the subcontinent

No one appraisal can be given of the monopoly of power held by state actors in the Latin American countries. In general, however, it is by no means as repressive as in, say, the Middle East or Central Asia. Nor, with few exceptions (Colombia and Guatemala), is statehood in Latin America in such a precarious condition as in many countries of Sub-Saharan Africa. Nonetheless, Chile, Costa Rica and Uruguay apart, almost all Latin American countries have territorial areas in which the government monopoly of power has been eroded. This is primarily true in marginalized urban areas where non-state armed groups often have de facto taken over government functions. Furthermore, the government monopoly of power has also shown signs of erosion in remote rural areas. In combination with widespread corruption, this means that the rule of law is still severely limited in most Latin American societies.

"Low" intensity violent conflicts have strong economic motives in Latin America. From Brazil through Ecuador to El Salvador, they are fought out between different actors: the participants are members of the executive (police, military), members of legal sectors of the economy (large landowners, mining companies), people involved in illegal production processes (organized crime) and groups of underprivileged parts of society (landless, indigenous) prepared to take violent action. Given the amalgam of interests and strategies of such complex conflicts, it is almost impossible to make an

across-the-board statement on the legality and legitimacy of state actors' behaviour.

As regards the processes of eroding statehood, it is again clear that political parties, or the governments emerging from them, usually act as the representatives of the interests of specific conflict groups, rather than seeking lasting and encompassing solutions. Given these circumstances, it is therefore disturbing to find that the military is often seen by the public as having developed into one of their country's most trustworthy institutions. On the one hand, this growth in the legitimacy of the military reflects the public's desire for stability and security. On the other hand, the military will be hardly capable, especially in a completely different environment from that of the 1960s and 1970s, of defusing the underlying distribution conflicts in quite a number of the subcontinent's societies. Therefore, not only wider consolidation of democratic procedures but above all coherent state reforms are urgently needed.

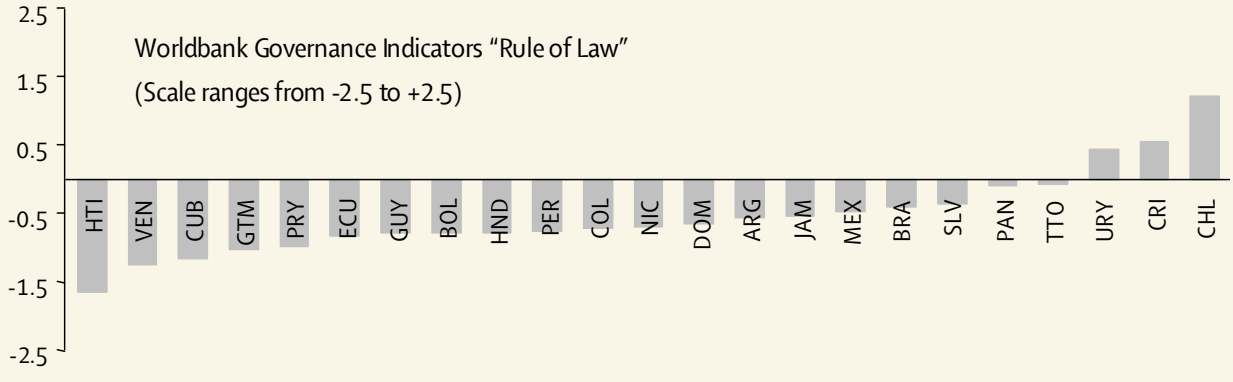
State institutions: second-generation reforms

The erosion of the state's monopoly of power is usually no more than the most conspicuous feature of the dysfunctionality of state structures. Although significant state reforms have been undertaken in Latin America, the results have frequently fallen short of the high expectations of them, which has again been harmful to the legitimacy of representative democracy. In some cases, the first generation of state reforms had already detracted from the legitimacy and stability of such young democracies in Latin America as Argentina and, even more markedly, Peru in the early 1990s. In those countries macroeconomic reforms, deregulation and privatization were forced through only by illiberal means and often brought further economic distortions. In many other Latin American countries, however, the erosion of the legitimacy of democracy was accelerated primarily when a second generation of reforms began in the 1990s. These have been complex reforms attempts relating to decentralization and the development of administrative competences designed to adapt government structures to the regulatory and social requirements of a market economy. Such efforts were accompanied by serious conflicts in the principal areas of policy, such as health, education, trade and competition.

The second generation reform attempts, even if needed, thus encouraged the further political fragmentation of Latin American societies. Today the conflict lines no longer exist solely between winners and losers of market reforms, between urban and rural areas or between "autocrats" and "democrats". With attempts at administrative and fiscal decentralization, additional conflicts broke out between different levels of government (national, provincial and local) and at the various levels: the latter for instance between poor and rich municipalities over different variants of fiscal decentralisation. At the level of central government, ministries and regulatory and supervisory authorities fight for resources and competences. And in the aforementioned policy areas, interest groups oppose each other, each seeking to influence reforms to its own ends.

It is important to note, that such conflicts are common and legitimate in democracies. Owing to the depth of transformation and the degree of social polarization, however, government reforms in Latin America develop considerable centrifugal forces. And these centrifugal forces encounter desolate party systems which should be playing a leading role in coping with the reforms that have been outlined. Yet, government coalitions emerge in many countries of the subcontinent not for programmatic reasons, but simply because strategies pursued in struggles for power and election campaigns so dictate. In countries as Ecuador, Peru and Bolivia it is then only a matter of time before such coalitions break apart as actual reforms are to be undertaken and governments lose parliamentary support. The legislature's far from constructive power to block proceedings then gives politicians in the executive a strong incentive to disregard it by passing unconstitutional legislation and/or by using the judiciary for their own purposes. Party failures pave the way for populist styles of government, which reject intermediary organization and supposedly seek direct contact with the citizen. Yet, whether in Argentina, Ecuador, Nicaragua or Honduras,

Figure 2: Rule of Law in Latin America



populist governments have proved incapable of coping with the complexity of second generation reforms.

And in Venezuela, too, a populist president is holding on to power only because of his country's wealth of natural resources. They enable him to safeguard the interests of underprivileged sections of the population with assistential instruments in an inefficient, volatile and hardly sustainable way. Beyond the executive's increasingly authoritarian bias, such populist rule prevents the emergence of efficient state and government structures.

Policies and Service Delivery: Democracy's dividend vs. reform incrementalism?

Statistical comparisons reveal that in Latin America, too, democratic order has delivered a socio-economic dividend. Rising levels of democracy have encouraged increasing investment in education and social spending and higher economic productivity. Furthermore, despite of the current conflicts, democracies in Latin America have not yet waged war on one another. Therefore, claims that higher levels of democracy have not had positive socio-economic effects lack empirical foundation. It must also be borne in mind that grand, long-term and coherent reform designs are not to be expected in democracies. Both, democratic and economic competition tend to be incrementalist voyages of discovery, with structural benefits evolving only over longer periods. Yet, in quite a number of democracies of the subcontinent the positive character of democratic incrementalism has been substituted by political fragmentation, which hampers even gradual progress with regard to reform coherency and functionality.

As this trend continues, Latin America is rapidly splitting into three groups of countries: first, countries which, despite possible shortcomings, now have considerable policy achievements (e.g. Chile, Uruguay and Costa Rica); second, countries that still have potential for successful policy-making, but are confronted with several obstacles to reform (Argentina, Brazil and Mexico); third, such countries as Bolivia, Ecuador and Venezuela, which have little chance of timely improving state and government structures. As history has shown, little in terms of government and policy efficiency is to be expected in this context from economic booms caused by a wealth of natural resources. Developments in Venezuela tend to confirm past experience. A wealth of extractive resources is more likely to weaken statehood that complies with democratic principles and is geared to subsidiarity, unless there is sufficient a degree of economic diversification (as in Chile).

3. Role of external actors

Although relations between Europe and Latin America are still many and varied, the region has waned in importance in relative terms. Pressing security problems in the Middle East, the importance of Eastern European transformation processes, social misery and state disintegration in Africa as well as China's and India's economic rise have, from a European perspective, moved Latin America into a marginal position.

Compared to the USA and, increasingly, Asia, Europe is also gradually waning in importance for Latin America. However, from a strategic standpoint there are risks inherent in this trend. For, in coping with pressing global problems, Germany and Europe need strategic partner regions in which there is democratic government. Not only are democracies more peaceful with one another, but they are also more cooperative in areas such as trade and environmental policy. Viewed from such a long-term perspective, Latin America has considerable potential for cooperation, being the most democratic developing region.

Nevertheless, in view of the legitimacy crises and political instability, it should also be clear for policy-makers, that this democratic advantage in Latin America must not be regarded as given. There continues to be considerable demand for external support to promote good governance in what is still a favourable environment. In this context, it must be remembered that a still fragmented donor community is more likely to hamper efforts to undertake coherent state reforms in Latin America. Furthermore, even a coordinated donor community must not make the mistake of believing, that large-scale external plans have great prospects of success in a democratic context. Democratic policy-making is an open, gradual process. Development cooperation, too, must adapt itself to this fact.

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GDI research fellow

Further reading

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