

# The Tragedy of Contemporary Democracy in the South

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It is now 25 years since the beginning of the great wave of democratization that swept away dictatorships from Latin America to Southeast Asia. Yet there is everywhere a palpable sense of disappointment that the new electoral democratic regimes have fallen far short of their promise of not only bringing freedom but also rolling back poverty and social inequality.

This disappointment was underlined by a poll conducted by the United Nations Development Program in 2004 that showed that 54.7 per cent of Latin Americans polled said they would support authoritarian regimes over democracy if the shift would resolve their economic woes.

In Southeast Asia, not a few commentators have noted the marked contrast in the performance between authoritarian Vietnam and democratic Philippines: Vietnam, which started in 1990 with 51 per cent of its people under the UN-defined standard of \$1 a day for extreme poverty, had reduced this figure to 8.4 per cent in 2000. The Philippines, on the other hand, barely made any headway, with 11 per cent of its population classified as extremely poor in 2000.

What happened? Why have democracies been so ineffective in delivering economic betterment?

## Elite Capture of Democratic Processes

One reason is that electoral democracies of the kind favored by the West have been extraordinarily vulnerable to being hijacked by elites. The system of democracy re-established in the Philippines after the ouster of the Marcos dictatorship in 1986 illustrates the problem. It is one that encourages maximum



factional competition among the elite while allowing them to close ranks against any change in the social and economic structure.

The Philippine system is democratic in the narrow sense of making elections the arbiter of political succession. In the principle of "one man/woman, one vote", there is formal equality. Yet this formal equality cannot but be subverted by its being embedded in a social and economic system marked by great disparities of wealth and income.

Like the American political system on which it is modeled, the genius of the Philippine democratic system, from the perspective of the elite, is the way it harnesses elections to socially conservative ends. Running for office at any level of government is prohibitively expensive, so that only the wealthy or those backed by wealth can usually stand for elections. Thus the masses do choose their

representatives but from a limited pool of people of means that may belong to different factions—those "in" and those "out" of power—but are not different in terms of their political programs. The beauty of the system in the eyes of the elite is that by periodically engaging the people in an exercise to choose among different members of the elite, elections make voters active participants in legitimizing the social and economic status quo. Thus emerged the great Philippine paradox: an extremely lively play of electoral politics unfolding above a class structure that is one of the most immobile in Asia.

Allowing for institutional and cultural variations, one can say that the dynamics of democratic politics in countries such as Brazil, Argentina, Mexico, Ecuador, and Thailand are similar to those in the Philippines. Elite democracy is one word that some have used to describe this system. Polyarchy is another.

However, elite capture of democratic processes is, in my view, only one factor that subverted the performance of the new democracies that emerged in the 1980s. Another development was equally critical: their economic promise was undermined by the demands of external actors.

### **The Subversion of Democracy**

Let us revisit that historic conjuncture of the early 1980s. The military dictatorships were collapsing not only because of internal resistance but also because key external actors such as the United States, European Union, the World Bank, and International Monetary Fund (IMF) withdrew their support from them. Now, one of the major reasons for this about face was that the dictatorships had lost the credibility, legitimacy, and minimum support to impose the economic reform programs, better known as "structural adjustment," that these influential forces demanded. Promoted as necessary for economic efficiency, these programs were designed to more widely open these economies to foreign capital and foreign trade and to enable countries to pay off their enormous foreign debts.

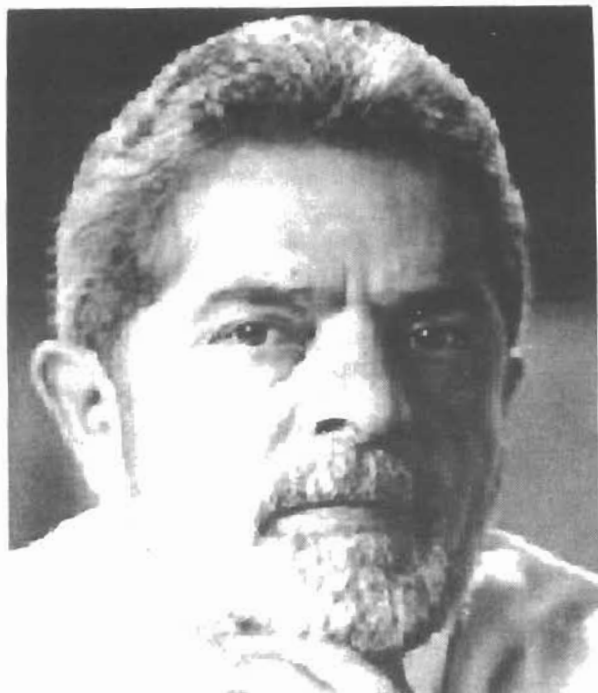
For instance, in Brazil and Argentina, tight monetary policies and tight fiscal policies drew opposition not only from labor and other civil society groupings in the early eighties but also from business groups. Business interests once benefited from labor-repressive policies imposed by these military dictatorships. Now, however, business circles began to distance themselves from repressive governments when neo-liberal policies failed to produce the

promised economic growth. As Stephen Haggard and Robert Kaufmann observed:

"With economic problems mounting, business elites began to re-evaluate the costs and benefits of the technocratic decision-making style that characterized authoritarian rule. Business groups had complained periodically about their lack of access to the remote technocrats who conducted macroeconomic policy, but such concerns had been offset by particularistic benefits and the fact that governments were willing to repress popular sector challenges. The private sector's gradual disaffection did not reflect a democratic epiphany, but a pragmatic response to changing circumstances. With authoritarian governments increasingly unable to deliver their side of the bargain, "voice" began to appear increasingly important to business groups, even if it meant reopening the arena to the previously excluded popular sectors."

The democratic governments which displaced authoritarian regimes soon confronted their own dilemma. On the one hand, redistributive policies were blocked by elites that had joined the anti-dictatorship coalition, a development that we have already discussed. At the same time, expansionary fiscal policies were discouraged by the World Bank and the IMF. It soon became clear that what the multilateral agencies wanted them to do was to use their democratic legitimacy to impose structural adjustment programs. In Argentina, for instance, the international financial institutions pressured the new government of Raul Alfonsín to abandon neo-Keynesian policies, implement tax reforms, liberalize trade, and privatize public enterprises. When the regime quailed, the World Bank concluded that the government had not made sufficient progress toward its reform goals and suspended disbursements on a structural adjustment loan.

Electoral democracy became the prime mechanism for the imposition of stabilization or structural adjustment programs in Jamaica, the Philippines, Peru, and Pakistan. In Jamaica, the progressive Manley government suffered a devastating loss of legitimacy when it caved in to pressure to impose an IMF stabilization program blessed by Washington. The program eroded living standards. It led to Manley's crushing defeat in the 1980 elections by a successor who proceeded to continue the same policies at the behest of the IMF. In Peru, the government of Alberto Fujimori was elected on a populist, anti-IMF platform, but proceeded to impose neo-liberal "shock" programs



that included steep price increases in the rates charged by state enterprises as well as radical trade liberalization. These measures provoked a deep recession, leading to popular discontent that in turn provoked Fujimori to suspend the constitution, close Congress, and rule as a strongman with little respect for constitutional restraints.

In the Philippines, the US and the multilateral agencies abandoned Marcos. Not only was his political position untenable owing to massive popular resistance, but his government's lack of legitimacy had made it an ineffective instrument for repaying the massive \$28 billion foreign debt and for implementing IMF stabilization policies. An economic crisis accompanied the end of the old regime, but that did not stop the World Bank and the IMF from demanding that the fledgling democratic government of President Corazon Aquino make debt repayment its top national economic priority. People were shocked, and some of Aquino's economic advisers protested, but the government submitted, issuing a decree that affirmed the "automatic appropriation" of the full amount needed to service the foreign debt from the budget of the national government. With some 40 to 50 per cent of the budget going to service the debt, this practically precluded national development, since all that was left went to salaries and operational expenses, with little left over for capital expenditures. In some years, 10 per cent of the country's GDP was spent servicing its foreign debt. Thus, it is hardly surprising

then that the Philippines registered average growth of below 1.5 per cent per annum between 1983 and 1993.

In 1991, five years after the end of the dictatorship, the percentage of the population living below the poverty line had dipped only slightly from 49.3 to 46.5 per cent, while income distribution worsened, with the share of income going to the lowest 20 per cent of families falling from 5.2 per cent to 4.7 per cent, while that captured by the top 10 per cent rose from 36.4 per cent to 38.6 per cent. Lower class alienation from the revived system of democracy was pervasive. It culminated in an aborted uprising on 1 May 2001—one that was ostensibly directed at restoring an ousted president from power but was actually a boiling over of lower-class frustrations. Today, not only the lower classes but even large sectors of the middle class have given up on the ability of the system to deliver the economic goods.

As in Peru, Argentina, and the Philippines, the return of democracy to Brazil was accompanied by scarcely veiled warnings from the IMF and the US that the first order of business for the new regime was to accomplish what the exiting military regime had failed to do, that is, to impose stabilization programs raising interest rates, cutting back government expenditures, devaluing the currency, and liberalizing trade. From the mid-eighties to 2002, a series of governments eroded the credibility of democracy by undertaking unsuccessful efforts to impose on a recalcitrant population the economic stabilization desired by Washington and the IMF.

The latest victim is the government of "Lula" or Luis Inacio da Silva of the Brazilian Workers' Party, one of the most committed anti-neoliberal parties on the continent. Before he even won the presidential elections in the fall of 2002, Lula did the unprecedented in Latin America: he promised the IMF that he would honour the high-interest, expenditure-restrictive conditions of a stabilization loan negotiated with the outgoing President Fernando Henrique Cardoso. Lula acted under duress. The Fund made it clear it would not release the remaining \$24 billion of the stabilization loan unless he behaved.

Lula was true to his word. Consequently, in 2003 Brazilian GDP contracted by 0.2 per cent in Lula's first year; unemployment surged to a record 13 per cent. This bitter medicine for the Brazilian people was, however, a tonic for foreign investors. In the first eight months of the year, even though the economy remained depressed, Brazilian stocks



soared by over 58 per cent, prompting Business Week to advise speculative investors: "Don't leave this party yet." As for Lula, he faced mounting criticism from within his own Workers' Party and governing coalition as well as from ordinary voters; only 28 per cent of the population voicing support for his government. In other words, even before the current crisis stemming from financial scandals among Lula's closest advisers, the government was already in trouble owing to its adoption of contractionary policies.

Reversal of the third wave of democratization now looms as a threat in Latin America. In South Asia it is a reality. When Gen. Pervez Musharraf seized power in Pakistan in October 1999, and sent the Prime Minister Nawaz Sharaf packing, he ended 11 years of unstable democracy. So worrisome to many orthodox students of democracy was Pakistan's democratic breakdown that analyst Larry Diamond wrote: "Pakistan [may] not be the last high-profile country to suffer a breakdown of democracy. Indeed, if there is a 'third reverse wave,' its origin may well be dated to 12 October 1999...."

Post-mortems of Pakistan's parliamentary democracy tend to focus on corruption, collapse of the rule of law, ethnic and religious polarization, and economic failure. Other explanations centre on an unaccountable military that had enjoyed special relations with the Pentagon owing to its key role in driving the Russians out of Afghanistan.

Certainly, all this played a part. But also crucial was the role played by the IMF and World Bank, which pushed the democratic regimes of both Benazir Bhutto and Nawaz Sharif to impose stabilization and structural adjustment programs that contributed significantly to the rise of poverty and inequality as well as fall in the growth rate. Noted one eminent Pakistani economist: "The almost obsessive concern with short-term macro-economic stabilization has

with it the danger...that some of our basic social programs might be affected, and this would have inter-generational consequences on development in Pakistan." Since democracy became associated with a rise in poverty and economic stagnation, it is not surprising that the coup was viewed with relief by most Pakistanis, from both the middle classes and the working masses.

In conclusion, the last 25 years have been a missed opportunity. A democratic renaissance in the South was derailed by elite capture of democratic processes and external pressure to adopt contractionary economic programs, often connected with debt repayment, which were precisely the wrong prescription from the point of view of democratic consolidation. Thus democracy is today seen widely as simply a mechanism for elite competition and as an obstacle to progressive economic transformation. When people in the Philippines do not see the point in changing a president that they have lost confidence in because her successor, they are convinced, will turn out the same, we are in trouble. When young people in my country look back to Marcos, a man they never knew, through rose-tinted glasses, then we are really in trouble.

To salvage democracy in the South, we need a second democratic revolution, one that would free it from the dead hand of elite competition and control and externally imposed adjustment programs. This is a tall order, but partisans of democracy have no choice but to take on this complex challenge.

#### For further information:

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