

PRIVATIZATION OF STATE FUNCTIONS IN LATIN AMERICA

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The fifties and sixties, and to even some extent the seventies, were the decades of strong economic growth and development in Latin America. It was during these years that industrialization was encouraged and a start was made on restructuring agriculture by means of agrarian reforms which, though limited in scope, revealed the high potential for agricultural development among the rural population of Latin America.

This surge of development in Latin America slowed down during the seventies, giving way to a period of stagnation in the eighties. In the seventies this could be attributed to structural problems connected with industrialization based on import substitution, whereas the stagnation of the eighties is directly linked to the burden represented by payment of the foreign debt which has largely wiped out the development achieved in the foregoing decades. The foreign funding earlier known as "development aid" brought about a situation in which the development that had been achieved had to be destroyed to pay for the so-called "aid".

I. THE IDEOLOGY THAT CALLS FOR THE DISMANTLING OF THE STATE

During these years of declining development in Latin America some people began to talk of the need to dismantle the state in Latin America. What they really meant, however, was not the dismantling of the state but rather the consolidation and expansion of the police-military state with a view to dismantling the economic and social functions of the state. Consequently, they spoke rather of dismantling the "interventionist" state. The police state is freedom, the social welfare state is servitude — this in a nut-shell is the ideology of the new liberalism which was imposed on Latin America from the seventies onwards.

This is the ideology behind the theory which proposes the privatization of state functions in the economy and the life of society in general. It is part of the wider ideology which believes in market forces and private enterprise and which considers that only private activities are efficient. Those of the state, on the other hand, are held to be essentially inefficient.

We have here a set of theories which from the start seem somewhat improbable. The periods of vigorous development in Latin America coincide with periods of intensive state activity with a high measure of state intervention, triggering a special effort by private enterprises in response. The beginning of the dismantling of the state, on the other hand, marked the beginning of the stagnation of the Latin American economy and its failure to develop the continent. Profits rose enormously but it was clear that, as far as the development of these countries was concerned, so-called private initiative was highly inefficient. This led coincidentally to the rapid dismantling of state economic and social structures in the eighties, accompanied by an increasingly obvious stagnation of economic development and loss of dynamism in capitalist enterprises. Nonetheless, at the same time the latter saw their profits continuing to rise. So, inefficient as private enterprise was in developing the countries of Latin America, it actually experienced an increase rather than a decrease in profits.

The more apparent this stagnation has become, the more talk there has been of the need for further privatization of state social and economic services. There is no doubt that this dismantling of the state will lead to still higher profits than before. Privatization of fields such as health and education, but also of public enterprises, allows profit-making in activities which up till now have been in state hands.

Greater profits have not, however, meant greater development but have caused yet more stagnation. In the absence of an energetic state able to open up opportunities and engage in supportive activities to encourage private productive activities, private enterprise has shown itself to be totally inefficient and incapable on its own of being a driving force in the development process. The more it pervades society, the less development is generated. The result is unemployment, impoverishment and galloping destruction of nature with no significant economic growth. But development is not the only thing it destroys, for it even destroys and vitiates the state's capacity for rational action. It does so with a view to drawing the maximum benefit from the remaining state activities and it causes such social problems that the state itself has to act even though it does not have the adequate means to do so. Consequently, the ineffectiveness of private enterprise in developing these countries leads to an inflated state apparatus. Being unable to enforce an economic policy for employment and a social policy for the distribution of income, the state becomes the sole source of income for those not employed by private enterprise. As they have nowhere else to go, they put pressure on the state to find employment of some kind. This pressure derives directly from the inability of private enterprise to provide employment for the population. The result is an inflated state, because despite

the curtailment of its functions it finds itself obliged to employ far more staff than it actually needs to fulfil them. Consequently, the state is undermined from both sides: by the middle classes as a source of — very often illicit — income, and by the people as the catchment for unemployment. It begins to employ staff for whom there are no corresponding jobs.

The debasement, demoralization and inefficiency of the state then becomes an argument for still further dismantling it and privatizing its functions. Yet privatization aggravates the situation precisely because the origin of the stagnation is private enterprise itself. It is unable by itself to initiate an adequate development policy without recourse to the state, but at the same time it blocks any rational action by the state to offset its inefficiency. This creates an endless vicious circle from which there is no apparent outlet.

The neoliberal ideology pressing for the dismantling of the state is anti-state in appearance only. In its frenetic anti-statism it becomes a profoundly statist ideology — only in reverse, in a negative way which does not approve the functions of the state. Statists believe that the state can solve any problem whatever by centralized action. This neoliberal statism based on anti-statism, on the other hand, blames the state for everything. It is negatively statist and seeks to explain all social problems in terms of state shortcomings which it purports to solve by actions against the state. This inverted form of statism which, like the positive form, looks to the state for a solution to all problems, differs from the latter only in the fact that it believes the dismantling of the state is the answer to all the problems. The preoccupation with the state is the same, however, which is why the real problems are obscured.

In both cases, therefore, the relation to reality is governed by abstract principles blindly applied; reality is approached on the basis of these principles which are expected a priori to bring salvation. These principles leave no scope for a rational and at the same time pragmatic approach to reality. There is no scope for compromise, which explains the neoliberals' conviction that they are the bearers of a new revelation and lends them something of the fervour of a recent religious convert. But what is needed rather than solutions of principle from some "born-again" believers is a pragmatic and rational approach to the relation between state and enterprise, central planning and the market, in which both sides participate to the best of their ability in finding solutions to concrete problems. But for this they must first accept that neither of the two extremes can nor should eliminate the other on grounds of principle alone.

II. THE NEED TO RATIONALIZE THE STATE

This is why the privatization of state functions produces no results, indeed actually aggravates the situation it is supposed to put right. What is needed is a state rationally organized to fulfil its functions. This means ensuring an economic and social infrastructure for development, with a general framework to

promote production within which private enterprise can operate in the interest of development and not purely to reap profit from the situation created by its own failure to fulfil that task.

However, this rationalization of the state is not possible except where the state actually does carry out the functions which pertain to it. It is impossible to rationalize a state which has been stripped of its functions and prevented from exercising them. Private enterprise does not fulfil these in its place and the state appears once again as inefficient. What is needed is a balance between the leading role of the state and private enterprise acting through the markets. If one of these poles tries to eliminate the other no development will take place and the result will be social decay.

Of course, in the present circumstances this search for a new style of development runs into another serious obstacle, which is the demand for payment of Latin America's foreign debt by the developed countries of the centre. But even if this debt were cancelled, there will be no new phase of development unless we re-establish a relation between state functions and free market enterprise in which the state itself once again takes over the management of development. Private enterprise is incapable of replacing the state in this essential function. When it tries to do so the effect on society is chaotic.

The Latin American middle-class would not have been able to impose its anti-state policy of dismantling the economic and social state but for the support of the national security dictatorships, which in turn could look to the USA for support. This led to the establishment of highly repressive, even totalitarian states — the only type of state that can sustain any kind of political stability in a situation of economic and social chaos like that produced by private enterprise when there is no rationally planned development strategy politically implemented by state economic and social action.

III. ECONOMIC DECLINE AS THE OUTCOME OF THE NEOLIBERAL ANTI-STATE IDEOLOGY

In this, Latin America was following the guidelines accepted especially in the United States with Ronald Reagan's accession to the presidency. After 1982 in particular, when the recalling of the external debt began, the United States government made this anti-state policy a condition in all the debt negotiations, thereby limiting the possibility of development for Latin America from two angles: On the one hand, payment of the debt forced it to hand over its economic surpluses to the creditor countries and, on the other, the dismantling of the economic and social state deprived the continent of the chance to formulate any new development strategy. In place of that they had absolute military control first in the form of military dictatorships and later in the form of military vigilance over any emerging democracies.

In this way the United States exported to Latin America an anti-state policy which now, at the beginning of the nineties, is at the root of its own decline. In fact, by likewise renouncing a rational state policy the USA rendered itself incapable of responding to competition from other capitalist countries, be it Japan or Western Europe. These are capitalist countries with highly interventionist states, with a great deal of government interference in the economy and a wide-ranging policy of social security and education. The United States with its anti-state ideal has shown itself incapable of sustaining this competition and in all the countries where it has succeeded in imposing its anti-state policy it has put a damper on development. One very powerful reason why countries like South Korea have been able to continue their process of development is precisely because they have been able to retain a high degree of state intervention in the economy.

Latin America cannot, of course, simply copy such examples. However, it will never know development unless it decides at long last to return to promoting an economically and socially interventionist state capable of planning and implementing a forward-looking development strategy for its societies.