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The United States and Central America:
Democratic Capitalism or
Reactionary Despotism?

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In this essay, I will argue that the most severe shortcoming of United States foreign policy toward Central America has been the lack of a sustained effort to foster conditions for genuine democratization in the Isthmus. Viewed in a long, historical perspective, this is as serious a flaw as are attempts to destabilize leftist regimes and support rightist dictatorships in the region.

The demonology of contemporary debate about Central America offers considerable evidence for why this has been the case. One need only examine the discourse on Central America to realize the fact that extant visions of the conflict incorporate some superficial assumptions uncritically. Supposedly dire economic conditions and/or agitation by foreign actors are at the root of the conflict. Basically, the arguments boil down to poverty and/or Communism. If either is correct, the task ahead is nearly impossible because, to complicate matters more, the United States is blamed for having done too much/too little to eradicate them.

I will also argue that, unless we revise and replace these with more realistic assumptions, we will not be able to evolve a more effective policy toward Central America. For in order to be efficacious, that policy must be grounded on a better understanding of the nature of Central American capitalism, of the nature of the process of democratization itself, and of the kinds of situations in which United States policy could and should make a difference.

In Search of Theoretical Focus

A. The Role of the United States

One particular feature of Central American societies, in contrast with the larger countries of South America, is the more profound and sustained impact of the United States on their historical evolution. Their proximity to the U. S. mainland, coupled with their "backwardness" has made these societies more open and vulnerable to the impact of initiatives running the gamut from well-intentioned paternalism to unabashed imperialism. These initiatives constitute a formidable historical precedent, weighing heavily on the credibility of our efforts to evolve an efficacious policy toward Central America at the present time.

The search for a viable United States policy toward Central America can neither obviate nor dwell excessively on these precedents. For better or worse, the United States remains an exceedingly crucial actor and is viewed as such by all relevant political forces. It is no exaggeration to say that few political movements and initiatives are launched in the Isthmus without anticipating the reaction of the United States. This fact is compounded into the political calculations of the forces vying for supremacy. Rightists seek to legitimize themselves emphasizing their supposed ideological affinity with the United States and presenting themselves as the only realistic alternative to Communist-inspired subversion. Leftists seeking to widen the limited political space available to them try to present their case

directly to Congress and the media in order to counter efforts by successive administrations to isolate them and minimize their importance.

Acknowledging this should not, on the other hand, lead us to believe that the U. S. can resolve the Central American crisis to its satisfaction by an optimal combination of resources and willpower. The United States has not been involved in every major historical event in Central America. Professor John Peeler has shown how Costa Rican democracy was established and is maintained through a self-conscious agreement among the local political elite.¹ The repressive reformist regime of the Salvadoran military owed very little to the United States until the coup of October 1979.

Neither has the United States been omnipotent. In a recent essay, Professor John A. Booth offers us a list of the initiatives that the United States has not been able to carry out in Central America since 1977. The list is long and it includes a number of important initiatives.² One leader of the Salvadoran FDR confided to me that very significant United States initiatives in his country have been defeated by two of the parties to the conflict. He meant to say that, while the U. S.-assisted Salvadoran Army has not been able to defeat the guerrillas, the right wing has effectively gutted efforts to improve human rights and bring about the rule of law. We were unable to produce a gradual political liberalization in Nicaragua. The Somoza dynasty remained adamantly opposed to it. We are not having

much better luck with the Guatemalan military. In essence, therefore, we are not dealing with a bunch of hapless "natives" down there.

Recognizing that our foreign policy lacks divine powers should not make us abandon the field to "cultural pessimism." Even if our ability to make a positive contribution is limited, we should not refrain from trying to influence the outcome of the Central American crisis.

B. What is Really in Crisis in Central America?

Sociologist Peter Berger reduces the theories seeking to explain the facts of poverty and wealth of nations to two: the theory of modernization and the theory of imperialism. Each serves to describe and legitimize one of the two basic forms that the state may assume in the modern era: capitalism or socialism. Each has its own myth: the myth of growth and the myth of revolution, respectively. Each describes its rival in terms of an elaborate, pejorative vocabulary.³ We must be careful not to assume that myths and rhetoric are a substitute for serious analysis. We must also make an effort to incorporate the more valuable insights of each, keeping in mind Professor Mark Rosenberg's advice against viewing Central American reality in terms of paired opposites but also bearing in mind that most of the relevant actors in Central America subscribe to one of the versions of these two basic paradigms.⁴

There are other, less sophisticated economic interpretations of the Central American crisis. The most popular

is that poverty and/or the deterioration of the material conditions of life are fostering revolution in Central America. This perhaps is the case but, if poverty alone were capable of triggering revolutionary situations, humankind would not have enjoyed a moment of respite. No government in recorded history can be credited with the elimination of social inequality, much less poverty. As a matter of fact, since the Industrial Revolution, the most important domestic task for government has been how to manage the contradiction between individual political freedom and socioeconomic equality. Capitalism and socialism are alternative ways to manage this basic contradiction. I would suggest that it is not poverty itself but the manner in which the state utilizes public power to confront this problematic that may create a pre-revolutionary situation, and that most of the capitalist states of Central America have not given a good account of themselves in this regard.

We have to ask whether the crisis in Central America is the result of severe structural flaws or is merely a result of international economic disequilibria that require marginal, incremental adjustments. More specifically, are we witnessing a crisis of the capitalist state in Central America or a particularly perverse instance of the cyclical crises of capitalism?

British economist Victor Bulmer-Thomas makes two important contributions to the ongoing scholarly reappraisal

of the causality of the present crisis. Looking at the long-term barter terms of trade of Central American commodities since the 1920s, he takes issue with the Prebisch-Singer thesis of a secular decline, and shows that economic growth has produced development in Central America. He concludes that "political and social instability is called into question because of the success of export-led growth rather than despite it (his emphasis). The problem, according to Bulmer-Thomas, is that the theory of comparative advantage does not say anything about how the gains of trade shall be distributed.⁵

I have been very intrigued about the kinds of differences that one finds between the more--El Salvador, Guatemala, and Nicaragua--and the less--Costa Rica and Honduras--violent countries in the region. Is there a particular syndrome or style of development that accompanies the evolution of the more violent countries? Recently I looked at indicators of economic performance--GDP rates of growth, the performance of the agricultural and industrial sectors, the consumer price index, the balance of payments, the level of indebtedness and foreign investment--and also at structural indicators--basically land tenure patterns, quality of life indicators, and employment and income data. The data covered the period of 1960-1979, that is, the time during which the present crisis could have been brewing.⁶

The performance indicators cannot be used to identify one country that stands out in terms of an overall picture

of economic stagnation. To be sure, Nicaragua offers a profile of economic trouble for 1975-1979, but this was very much the result of ongoing political instability and not the cause of that instability. There was no obvious collapse of any of the crucial economic sectors, inflation was very low by Latin American standards, and the balance-of-payments situation was deteriorating, with Costa Rica seemingly the country most affected by this. In reality, the picture was relatively mixed, with Nicaragua second to Costa Rica in a number of indicators registering adverse economic conditions. The economic crisis had not been in full swing during the time when Anastasio Somoza and Carlos Humberto Romero were overthrown in Nicaragua and in El Salvador.

The structural indicators suggest that, while there is much concentration of land in the authoritarian coffee republics (El Salvador and Guatemala), concentration is also a fact of life in democratic Costa Rica. However, concentration of land is compounded, especially in the case of El Salvador, by a high ratio of land utilization. This means that the kinds of factors identified by Malthus and Ricardo a long time ago complicate matters in El Salvador regardless of the pattern of land tenure. Needless to say, there are severe income discrepancies among the families engaged in agriculture in the five countries. These were more pronounced in the "violent" countries but also detectable in the other two. Finally, the presence of foreign agricultural "enclaves" did not seem to tilt the scale one way or another.

What I distilled from this evidence is that there is not a unique combination of structural characteristics that set the more violent countries apart. As a matter of fact, the country combining a group of seemingly adverse characteristics, that is, the quintessential "banana republic," turns out to be Costa Rica.

The structural roots of the present crisis must be sought in how the Central American states have managed the contradiction between economic freedom and social inequality. Professor Bulmer-Thomas suggests that the present crisis "has much more to do with the breakdown of social relations within the agricultural sector as a result of the specific way in which the export-led model has operated."⁷ Professor Ralph Lee Woodward, Jr., reminds us that "calculated terror has been an established method of control of the rural population (of Central America) for five centuries."⁸ Historian Thomas P. Anderson views the present conflict as "the result of the increasingly desperate struggle of certain entrenched groups to retain land, prestige, and power at any price."⁹ The dispute may be about "economics," that is, about the form that the capitalist state has assumed in Central America.

C. A Political Economy Interpretation

What separates more clearly the less from the more peaceful countries of Central America is the nature of their political regimes and, more to the point, the presence of very combative "reactionary" coalitions in the more violent countries. The political regimes which these coalitions

have helped create can be described as "reactionary despotism." The deterioration and breakdown of these regimes have created the present crisis in Central America.

Reactionary despotism is one variant of what Barrington Moore, Jr., has called "the conservative route to modernization." According to Moore, the emergence of a system of labor-repressive agriculture--as in the "violent" Central American countries--creates conditions in which able leaders can drag along the less perceptive reactionary elements concentrated in the landed upper classes and establish a powerful bureaucratic apparatus and an efficient machine of law and order.¹⁰ Most of the oligarchic republics of Central America had their origins in the liberal revolutions that swept the Isthmus in the 1870s. Their "liberal" orientation set them in pursuit of a comparative advantage through the export trade of primary commodities. The prevailing positivist philosophy did not make much of the exclusion of the lower strata from effective individual participation in politics and in the market. As was the case in other Latin American countries, control of the labor market became an uppermost concern. In El Salvador and in Guatemala, it was possible to implement very effective controls over the rural labor force. In Costa Rica, Honduras, and Nicaragua, that control could not be implemented very effectively. The seeds of reactionary despotism were latent in these oligarchic republics but, as long as the "liberal" landowning element that dominated them was not

confronted by the land and the labor questions, they did not have to choose between their democratic elitism and their authoritarian capitalism. The Crisis of the Depression forced the issue, and they opted for the latter.

Following the Great Depression, many capitalist states reformed themselves, adopting Keynesianism and welfare economics. More importantly perhaps they incorporated working and lower class elements previously excluded from the market and from effective citizenship. The Marxist prophecy missed its mark as capitalism became more democratic and legitimate, incorporating through a new social pact many who had been left out.

During the Great Depression, most of the oligarchic republics of Central America were replaced by personalistic military dictatorships, the traditional landed element lost direct control of the government, and a new division of labor emerged between the armed forces and the oligarchy. The military kept the land and labor questions out of the policy agenda. The oligarchy managed the economic model.

Michael Novak has described democratic capitalism as a composite of (1) an economic system based on markets, incentives, and private property; (2) a political system in some measure based on rights, the pursuit of individual happiness and institutions of due process; and (3) a moral-cultural system based on pluralism and liberal values.¹¹

At present, Belize and Costa Rica are the only Central American states that meet the terms of Novak's operational definition.

By contrast, reactionary despotism may be defined as "an exclusionary political regime in which a coalition of land-owners, and industrialists and financiers closely related to them, seek to manipulate public authority to legitimize and defend their control of the economy, in which potential and actual opponents of the regime are denied citizenship, and in which cooptation and passive obedience replace the active consent of the population."¹² The primary objective of the coalition is to preserve a system of privilege, which they believe can only be maintained through an authoritarian form of capitalism.

Regardless of the material conditions of life, the functional imperatives of reactionary despotism are on a collision course with the agenda of democratic transition in Central America. The reactionary coalition seeks to prevent the emergence of effective suffrage, to avoid any linkage between the suffrage and substantive questions of economic policy, and to disarticulate any intermediary institutions expressing the demands of other groups and classes. The reactionary coalition operates to maintain arbitrary rule, to prevent the replacement of arbitrary rules by just and rational ones, and to refuse to give a share in the making of rules to the underlying population.

Speaking of the Salvadoran case, Professor Stephen Webre suggests that the "liberals" (of the reactionary coalition) essentially believe that the state should be weak and passive.¹³ The problem is that, historically,

they have shown a steadfast willingness to use violence to make sure that that remains the case. Reactionary despotism, in sum, is a variety of authoritarian capitalism.

D. The Politics of Democratic Transition

One initial problem confronting anyone trying to promote a transition to democracy is the relative dearth of theory. Although the more contextually sensitive versions of the theory of modernization speak of "crises of development," utilitarian social science is poorly prepared to cope with the intellectual, ethical, and practical issues of the problematic of authoritarian deterioration and breakdown. The theory of imperialism, by contrast, offers a revolutionary praxis which prescribes the utilization of violence in these kinds of situations. We have very clear notions of the functional requisites for democratic stability, of the difficult and long progression toward democracy in Western societies, and a few case studies about recent instances of democratic transition.

Observing recent cases of democratic transition in Spain, Portugal, Greece, Ecuador, Peru, the Dominican Republic, Argentina, and hopefully Brazil, one may conclude that a process of political transition, if it is to result in a democratic outcome, must successfully address a four-fold agenda of (1) restoration or instauration of a state of law, (2) constitutional revision, (3) implementation of an electoral process, and (4) actual transfer of power. The process moves along a series of confrontations between

aperturists and obstructionists, and the latter must be neutralized to bring about a resolution favorable to democratization.

During the implementation of the agenda of transition, socioeconomic issues continue to polarize and increase tensions among participants. However, the more relevant aspects of the agenda of transition are focused on the willingness and ability of the government to restore the rule of law, guarantee the physical integrity of the citizenry, and put an end to arbitrary rule. This is indispensable to lend credence and legitimacy to the project of transition and to engage the participation of many actors previously excluded from the political process.

Unfortunately, the deterioration of reactionary despotism in Central America is taking place under very adverse conditions, exacerbated by the desperate attempts of the reactionary coalitions to re-equilibrate the regime and prevent the transition. In Nicaragua, Somoza had to be brought down by a popular insurrection. In El Salvador, the transition has evolved into a civil war, and the political process is stalemated by a military standoff and the fact that a broad aperturist coalition is yet to emerge to defeat the violent obstructionism of the Right. In Guatemala, a series of attempts are being made to re-equilibrate reactionary despotism. The chances for the emergence and consolidation of democratic regimes are obviously not that good.

By democratic I mean "a regime in which the government utilizes its public powers within the constraints imposed by responsible--meaning accountable and responsive--institutions which help prevent the systematic and severe deprivation of basic human rights. Democratic regimes have taken root in a relatively broad cultural and geographic spectrum, although the majority of these regimes are within that entity that we call the West. Michael Novak reminds us that "apart from free capitalist economic systems--mixed economies to be sure--there are on this planet no examples of free political systems."¹⁴

Mindful of this incontrovertible fact, lacking relatively clear precedents, and unable to improvise the structural preconditions for a democratic consolidation, United States foreign policy has been, at best, inconsistent when confronted by deteriorating authoritarian regimes.

In a penetrating and much-debated article, Ambassador Jeane Kirkpatrick argued for restraint in these situations. She wrote about the certain risks entailed by attempts to reform authoritarian regimes in traditional societies held together by fragile patrimonial links controlled from above by a personalist dictator. The case of Iran showed that, indeed, her warnings could not be taken lightly.¹⁵ Professor Howard Wiarda has written frequently and eloquently about the moral-cultural roots of Latin American authoritarianism. His essays provide ample testimony of the fact that reactionary conservatives in Latin America do not share the ethical premises of democratic capitalism.¹⁶

However, I would like to point out that the reactionary coalitions of Central America are neither held together by a patrimonial figure nor are they composed of pre-modern, religiously motivated opponents of modernization. In addition, reactionary conservatives are not democratic capitalists. As defined above, democracy is the politics in which power is not abused and, unless we look at cases of cultural suicide, it is hard to find a majority of people anywhere who are in favor of abuse of power against themselves. To promote democracy, as defined above, does not imply the folly of trying to remake the world in our image.

In Central America, the continued onslaught against moderate and progressive democrats has created a vacuum. This is the result of a strategy through which the elements of the reactionary coalitions are trying to polarize the situation even further, to present us with the unsavory choice between "free enterprise" and "Communism." Therefore, the issue is not whether we may precipitate a catastrophe by our imprudent and ill-conceived initiatives. The issue is whether United States policy can prevent the reactionary coalition from liquidating the chances for democratization.

In Central America, as elsewhere, a process of transition to democracy cannot take place without the effective neutralization of anti-democratic obstructionists. Attempts to create a coalition government bringing together Christian democrats, social democrats, and reactionary conservatives

will simply not do. It may be possible to invite everyone willing to renounce violence to participate in a genuinely pluralist arrangement but only at the level of the regime, not the government. A government divided against itself cannot manage a process of democratic transition.

The pacts of political transition--like the pacts of the Moncloa in Spain, the Pact of Punto Fijo in Venezuela, the Pact of Sitges in Colombia, and others--involved a system of mutual guarantees among the subscribers, a commitment to respect democratic norms, and to remain loyal to the regime when in opposition. By contrast, the Pact of Apaneca in El Salvador has lacked the unequivocal support of the disloyal rightists of the reactionary coalition. They are and will remain disloyal to the democratic ideal. More importantly, their continued obstructionist maneuvers have not been held in check.

Prudence and discretion will not serve us well in cases like these. We hardly need these allies to establish a viable and legitimate alternative to leftist totalitarianism. We have not been very imaginative evolving strategies to control these reactionaries and we must be very clear about the ends-means relationship here. If the crisis is to be solved peacefully, this can only be done through a democratic transition. We must help neutralize the violence of the disloyal rightists of the reactionary coalition in order to fulfill the agenda of democratic transition.

Where We Stand

During most of 1983, Secretary of State George P. Shultz put the United States on record in favor of democracy, reform and the protection of human rights, economic development, and the peaceful solution of the area's problems. Taken literally, these guidelines offer an attractive synthesis of objectives that can be endorsed by a majority of the American public. Incidentally, vast segments of that public still do not know which side we are really in favor of in El Salvador and in Nicaragua.¹⁷ The Reagan administration has finally paid some attention to the efforts of the Contadora Group. Special Envoy Richard Stone spent considerable time contacting key actors throughout the area. His initiatives may have been overshadowed by the activities of the National Bipartisan Commission, headed by former Secretary of State, Dr. Henry Kissinger. In turn, the Report of the Commission is grounded on a fairly balanced, sober and accurate appraisal of the origins of the crisis.¹⁸ While offering an attractive series of proposals, the Commission assumes too many favorable preconditions which may not be met, such as appropriate levels of economic assistance, and the willingness and ability of Central American governments to implement reformist policies.¹⁹ While endorsing the importance of human rights, the Commission's Report offers little guidance as to how the obstructionism of disloyal rightists may be overcome. An emphasis on the promotion of democracy is also explicit in the recommendations

advanced by other interested parties, whether more representative of the private sector or of the modal opinion in the academic community.²⁰

There are very real limits to what we can do to promote a democratic outcome in Central America. To be sure, we have been burned before trying to "export" democracy. In addition, both liberal and conservative sectors of opinion in the United States remain unconvinced that democracy is viable in Central America. The former are not sure that democratic procedure is that relevant in countries in such a desperate need to satisfy more basic human rights. Conservatives aver that Western-style democracy cannot be brought about overnight in the Third World. I would counter by passing along the comment made to me by a Chilean socialist during a recent day of national protest in his country. He said that, once you lose them, bourgeois liberties do not seem so trivial anymore.

As a Hispanic American who has experienced totalitarian and authoritarian forms of political domination, I would suggest that we need to convince ourselves that the attempt to promote democracy is neither naive nor misguided. The democratic framework provides the optimal structure of opportunities for that "liberation" that protestors of arbitrary rule in Central America have been talking about. Socialism remains very attractive from an ethical standpoint but is yet to be able to evolve a synthesis with the democratic ideal. By contrast, capitalism can solve the problem of production,

at the expense of inequalities that can be managed and ameliorated through the democratic framework.

To be sure much remains to be done and the instrumentalities assumed by alternatives extant will require considerably more elaboration. However, it appears that a consensus is emerging on the exhaustion and historical and moral bankruptcy of reactionary despotism. The issue, therefore, is whether we can better promote democracy contributing to reform Central American capitalism or being patient with genuine efforts to maximize social equality that are not predicated on a destruction of the democratic framework. A concern with genuine democratization, therefore, could finally appear as evidence of our informed awareness of historical precedent in Central America. An attempt to help Central Americans democratize their societies is unquestionably interventionism but is at least an unequivocal sign that we are prepared to treat them as equals.

Endnotes

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4. "Central America: Toward a New Research Agenda." Review article, Journal of Inter-American Studies and World Affairs (February 1984).
5. "Economic Development over the Long Run, Central America Since 1920," Journal of Latin American Studies, XV, 2 (November 1983).
6. See "Reactionary Despotism in Central America," Journal of Latin American Studies, XV, 2 (November 1983), Table 1, pp. 302-303 for structural indicators and passim for extended comments; and also "The Deterioration and Breakdown of Reactionary Despotism in Central America." Paper No. 2 Democracy in Latin America: Prospects and Implications. Submitted to the Department of State in partial fulfillment of contract 1722-020083 (August 1981), pp. 45-61 for the analysis of economic performance.
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12. Baloyra, "Reactionary Despotism. . ." op. cit., p. 308.
13. José Napoleon Duarte and the Christian Democratic Party in Salvadoran Politics (Baton Rouge and London: Louisiana State University Press, 1979), pp. x-xii.
14. Op. cit., p. 4.
15. "Dictatorship and Double Standards," Commentary LXVIII, 5 (November 1979).
16. See for example "Toward a Framework for the Study of Political Change in the Iberic Latin Tradition: The Corporative Model," World Politics, XXV, 2 (January 1973), pp. 206-235.
17. Everett Carl Ladd, "Public Opinion on Central America," and "Central America, How Informed Are We?" in Public Opinion (August/September, 1983), pp. 20, 41, and pp. 21-27, respectively.
18. Report of the National Bipartisan Commission on Central America (Washington, D. C.: January 1983), chapter 2.
19. Ibid., pp. 45-49.
20. I am referring here to The Miami Report (Miami, Florida: January 1984), pp. 54-55, and to PACCA, Changing Course: Blueprint for Peace in Central America and the Caribbean, draft version, Section 3, pp. 19, 24, respectively.