

From Social Incorporation to Market Exclusion: Populism and Globalization in Latin America – Reviewing the Case of National-Developmentalism

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Abstract

This paper examines the experience of social inclusion of urban workers in Latin American, arguing that throughout the 20th-century the State-led incorporation of workers into the political and legal structures served the twofold broad purpose of 1) protecting workers against liberal-deleterious notions of an ‘invisible hand’ of the market, while, at the same time, 2) performing the role of taming labor’s political demands for broader democracy and participation. Nevertheless, while circumscribed within a paternalistic legal framework, relevant sectors of the organized movement of Latin American workers were able to push the boundaries of the system in the defense of their own interests.

Resumo

Este artigo examina a experiência de inclusão social dos trabalhadores urbanos na América Latina, argumentando que, ao longo do século XX, a incorporação da força de trabalho nas estruturas políticas e legais, por meio da ação do Estado, serviu, ao mesmo, para 1) proteger os trabalhadores frente à ação deletéria do mercado liberal e 2) cercear as demandas políticas mais radicais desses mesmos grupos sociais. Contudo, ainda que cerceados por uma estrutura legal paternalista, o movimento trabalhista organizado conseguiu forçar os limites do sistema corporativista de modo a defender seus interesses e a avançar na democratização mais ampla da sociedade.

Introduction

Throughout the 20th-century the conditions of living and of collective mobilization of Latin American workers underwent significant changes. Departing from an initial situation where they were primarily the beneficiaries of labor rights granted from above, these workers were gradually able to reassert their voices. As this article seeks to demonstrate, whereas the initial paternalistic measures taken by the emerging populist governmental structures of the 1930s and 40s proved to be essential in protecting workers against the deleterious environment of unregulated (*i.e.* unprotected) labor, these same regulations also tamed labor’s social and political demands for broader democracy and participation, amidst a process of conservative, *i.e.* uneven, economic development. Though circumscribed within an authoritarian legal framework,

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Latin American workers were able to push the boundaries of the system in defense of their own interests.

As the century progressed, a major challenge to workers' mobilization arose from the transformations in the structures of production that began taking place in the late 1970s. As the region plunged into a serious economic crisis in the 1980s and experienced a process of deliberate and widespread reduction of labor rights in order to 'promote productive competitiveness' in the 1990s, Latin American workers were forced to devise new forms of mobilization in order to reassert their historical socioeconomic achievements. As the global economy becomes ever more integrated, thus posing new challenges as well as opportunities for persistent social mobilization of popular sectors, it is time for a profound revision of the historical experiences of Latin American populism to take place. This is primarily aimed at envisioning a new social model wherein the national state - stripped of its paternalistic aura - may reassert its obvious role of representing the broader range of social interests beyond those of the global markets.

The Origins of Import Substitution Industrialization and the Emergence of the Populist State

Historically and highly exclusionary, it was already at the dawn of the 20th-century that most Latin American societies witnessed the emergence of an assertive organized labor movement and, consequently, increased sociopolitical repression on the part of the traditional regional political and economic elites. Particularly relevant in countries experiencing an incipient but important process of industrialization, strikes and unionization reshaped urban dynamics in countries as varied as Argentina, Colombia, Brazil, and even Mexico. In tandem with new labor dynamics, emerging middle-income sociopolitical groups – including University students fighting for educational reforms in Cordoba, Argentina in 1918, and junior military officers demanding a more responsive central government, in Brazil in the mid-1920s – forced their way into an increasingly outdated oligarchic political structure, leading at times to institutional change, as well as to heightened violence.

Rising demands for political and economic reform notwithstanding, most members of the regional Latin American elites continued to enjoy a very privileged and comfortable position in

the first quarter of the century given that their living standards continued to be assured by the international trade revenues from produce-based export-led economic activities. It would take the collapse of the entire liberal world economy, early in the 1930s, for a profound critique of the regional economic regimes in operation since the 1870s to emerge. In the end, these events would lead to the first organized attempts of promoting new economic, political, and social arrangements. Pertaining to the in the economic realm, the 1929 crash of the New York Stock Exchange represented the *coup de grace* for the region's export-oriented economy as international demand for its primary produces sharply declined. Alternatively, the international economic environment of the 1930s was largely defined by the implementation of a more autarkic and highly protectionist economic basis, which resulted in the establishment of a new complex economic system centered on local markets and, whenever possible, national manufacturing of traditionally imported industrialized items.

From the 1930s the majority of Latin America countries experienced chronic balance-of-payments crises given their growing foreign trade deficits. This scenario, in combination with the new availability of foreign capital in its public and private forms by mid-1940s, inspired the regional promotion of state-led projects of national development that had in the industrialization of their economies the main focus of their efforts. Consistent with this new economic path, the Second World War turned to be a watershed in the process of industrialization of Latin America. As the conflict unfolded, military sectors in several countries pushed for creating national industrial plants capable of decreasing their dependence on external sources of war materiel needed for their own defense. This new industrial goals were met with surprising support in the United States of the Good Neighborhood policy of the late 1930s. The U.S. had its own interest in placing the region under its sphere of influence in order to secure Latin American's loyalty for its hegemonic post-war military and political plans.

Indeed, after the War many governments - following the lead of Brazil, Argentina, and Mexico, and with assistance from the United States - intensified their pursuits of national industrialization. In so doing, a new paradigm of national development was forged. This model, which would later be know as the process of *Import Substitutive Industrialization (ISI)*, advocated the direct involvement of the structures of the national state in the economic activities in a variety of ways, including 1) by placing high import tariffs on items to be produced domestically, 2) by offering credit assistance to domestic industries, as well as assuring minimal

prices for their own national industrial production, 3) and by artificially controlling exchange rates (at the cost of inflation and deficits) to assure that domestically produced items, even if non-competitive, could be exported. Moreover, the domestic consumer market was emphatically favored by wage increases for the urban organized workers, and by providing subsidized public investment in the areas of infra-structure, such as transportation, energy, and communication networks.

This rich set of economic and political measures and policies aimed at a rapid industrialization via import-substitution and domestic production of industrialized items on the basis of state-run programs of development came to be known in many parts of Latin America as *National Developmentism*, which was articulated for the first time in 1941 by the Argentine economist Raul Prebisch, who served as the first Executive Secretary of the United Nations-based Economic Commission for Latin American (ECLA) starting in 1949. Along these conceptual lines, the political support and the guidance provided by structures of Federal state was seen as essential in order to prevent social instability at a time of growing popular demands presented by the growing numbers of recently arrived workers migrating from the countryside to the urban centers looking for work in the rising industrial plants. No political logic offered this needed assistance better than the emerging *Populist State*, which proved to be the most instrumental political arrangement in the promotion of state-led economic growth and the political incorporation and regulation of labor in Latin America.²

Commonly known as the political phenomenon that reshaped the Latin American region from the 1930s to the 1960s, Populism has been characterized by the rise of new political leaders who sought to harness sufficient support on drawing new voters into the political system and on securing their loyalties by appealing to their sense of nationalism, cultural pride, and desire for better standards of living. Latin American Populism has been traditionally portrayed as taking place when the regional traditional forms of oligarchic domination were eclipsed by the social mobilization that accompanied the early stages of economic modernization, and by the

² Populism is a very loose term utilized to make sense of a complex multiplicity of historical events, particularly in the context of Latin America. No consensual definition is available, and much work has been devoted to criticizing what has been labeled as the populist experiences due to their alleged lack of an authentic proletarian class conscience. Aware of these conceptual limitations, for the purpose of brevity, I have chosen to make use of this terminology assuming that it encompasses various socio-political dynamics that have in common the fact of being multi-class political alliances centralized on a charismatic figure who operated on the basis of appeals to national allegiance and economic redistributive actions from above. For more on this see Michael Conniff (ed.), *Latin American Populism in Comparative Perspective*. (Albuquerque: University of New Mexico, 1982).

incorporation of urban workers within broad, multi-class political coalitions that backed social and political reforms and state-led industrialization.³

Along these historical events, populist leaders promised to reform their societies and to improve the lives of the masses by means of new public policies that could not outright be pigeonholed as exclusively leftists - even though there was a clear rejection, on the part of these emerging politicians, of the oligarchic logic of the traditional political party structure and electoral dynamics in operation until then. No single political ideology or doctrine prevailed, and the populist agenda was very eclectic and flexible. Instead, populist leaders often relied heavily on nationalistic and personal styles of leadership to weld together diverse social constituencies, with special appeals made to urban labor unions that were bound to the structures of the Federal state by corporatist mechanisms for the distribution of benefits.⁴

Particularly relevant, from the mid-1930s onwards, rising political leaders, such as Cardenas in Mexico, Vargas in Brazil, Haya de la Torre in Peru, Gaitán in Colombia, and Peron in Argentina, mobilized the masses from above by challenging the oligarchic political structure of their countries and appealing to the promise of political inclusion and economic well-being for all. When in power, these and other political leaders expanded the presence of the national state in the economic realm by protecting and subsidizing basic industries, restricting foreign investment, regulating labor markets, creating and expanding labor rights and pension funds, and providing a broad range of social benefits (health and educational care, monetary vouchers, collective political representation, etc.). As these dynamics unfolded, the 1950s witnessed the acceleration of the process of urbanization, creating a growing local market for the emerging national industrial sectors, particularly in countries with large enough populations to offer a significant domestic market.

³ See Ricardo Antunes, *Classe operária, sindicatos e partidos no Brasil*. (São Paulo: Cortes Editora, 1982); Gino Germani, *Modernization, Urbanization, and the Urban Crisis*. (Boston: Little Brown, 1973); Juarez R.R. Lopez, *Sociedade Industrial no Brasil*. (São Paulo: DIFEL, 1964); and Francisco C. Weffort, *O Populismo na política brasileira*. (Rio de Janeiro: Civilização Brasileira, 1978), and *Classes populares e política: contribuição ao estudo do populismo*. (Sao Paulo: Brasiliense, 1974).

⁴ The corporatist logic of the Populist State in Latin America harkens back to the ideology implemented by the Fascist States in the Europe of the early 20th-century. In general terms, it was an ideology that emphasized the organic nature of society that should be regulated by the structures of the central State as a political mediator, adjusting the interests of each social group according to its own choosing. In concrete terms, the State would decide on matters such as who the legitimate representatives of labor were so that they would take place in wage negotiations with industrial leaders, the amount of wage increases that would be granted in each round of negotiation, and the legal status of labor strikes.

These expanding urban sectors increasingly exerted a political role as the largest segments of the national electorates, thus giving rise to a political compromise between the social classes which attended, at least some of, the aspirations held by the urban low-middle and working classes. This precarious political arrangement between the economic elites and the growingly significant sectors of the urban labor segments, which supported the populist administrations, depended largely on the creation and dissemination of an ideological construct of a paternalistic political leader. The structures of the central state were increasingly portrayed to the masses as acting for the betterment of everyone's share in the national economy, even though no radical measures in favor of wealth redistribution were taken by these same governments. Thus, the very effectiveness of such a fragile political order depended on creating and maintaining high rates of absolute economic growth and on strengthening the connection between the political leaders and the masses; two historical requirements which proved increasingly hard to be sustained, as will be further detailed below.

The Historical Social Incorporation of Organized Labor: From State Control to Autonomous Mobilization

Classic interpretations on the degree of political autonomy on the part of Latin American working groups brought into the official structures of the *Developmentist State* have indicated that workers were not autonomous from the structures of local governments. This relative curtailment of labor's political autonomy has traditionally been considered as derivative of entire new set of new labor codes and legislations and by a series of economic benefits (in the forms of public employment and union contributions administrated by newly created Labors Ministries) granted to obedient state-sponsored union leaders. Along these conceptual lines, a vast list of historiographical works has tried to demonstrate that labor autonomous political engagement, even during periods of open political systems, tended to be limited by populist leaders who attempted to incorporate in very controllable levels the historical labor demands within logic of broader projects of national development that required the appeasement of labor for their success. Within this interpretive perspective, corporatist governmental structures are said to have

reshaped the context of urban labor to such an extent that workers' independent collective action had been sharply reduced, when not entirely eliminated.⁵

To illustrate this type of legal dynamic that began taking place throughout the region, one can take note of the case of the authoritarian government of Brazil which implemented in 1943 a new national labor code, known as the Consolidation of Labor Laws (CLT), wherein rights and obligations of organized labor were clearly stipulated. Whereas important rights were granted (such those of minimum wage and paid vacation), clear limits were also established for the organization of workers, as their unions had to be approved by the Labor Ministry in order to be allowed to remain functioning. Yet, and this is a crucial element to a clearer understanding of the complexities involved in the historical dynamics taking place within the labor organization of Latin America workers during most of the 20th-century, recent studies – which paid closer attention to the concrete behavior of workers within the environment of the factories - have come to the fore showing that even amidst these legal constraints provided by the a Corporatist state, workers in many countries in the region were able to push the boundaries of these very same limits, thus exerting a political role in important historical events, particularly during the late 1940s, 1950s and 1960s.⁶

This complex historical dynamic on the part of Latin American workers - *i.e.* of becoming increasingly more independent of the structures of the corporatist state of mid-century, and thus of being able to exert a more influential political role in their countries - resulted *from their own* mobilization within the imposed limits legal framework of the time, particularly among the unionized urban sectors; initially in more traditional industrial plants, such as textiles and food processing, but gradually taking hold also among more technological industries, such as among metalworkers. Furthermore, and also particularly important, the evolution in the

⁵ A sample of influential works arguing for this position include Fernando H. Cardoso, *Empresário industrial e desenvolvimento econômico..* (São Paulo: DIFEL, 1964); Octavio Ianni, *Industrialização e desenvolvimento social no Brasil.* (Rio de Janeiro: Civilização Brasileira, 1963; Francisco Weffort, *op. cit.*; and Barbara Weinstein, *For Social in Brazil: Industrialists and the Remaking of the Working Class in São Paulo, 1920-1964.* (Chapel Hill: University of North Carolina Press, 1996).

⁶ See James Brennan. *The Labor Wars in Cordoba, 1955-1976: Ideology, Work, and Labor Politics in an Argentine Industrial City.* (Cambridge, MA: Harvard University Press, 1994); Kenneth P. Erickson. *The Brazilian Corporative State and Working-Class Politics.* (Berkeley: UC Press, 1977); John Humphrey. *Capitalist Control and Workers' Struggle in the Brazilian Auto Industry.* (Princeton: Princeton UP, 1982); Antonio Luigi Negro. *Linhas de Montagem - o industrialismo nacional-desenvolvimentista e a sindicalização dos trabalhadores.* (São Paulo: Boitempo, 2004); Jose R.G.P. Ramalho. *Estado patrão e luta operaria: o caso FNM.* (Rio de Janeiro: Paz e Terra, 1989); Salvador A.A. Sandoval. *Social Change and Labor Unrest in Brazil since 1945.* (Boulder: Westview Press, 1993); Thomas E. Skidmore. *Politics in Brazil, 1930-1964: An Experiment in Democracy.* (Oxford: Oxford University Press, 1967); Jover Telles. *O Movimento Sindical no Brasil.* (Editorial Vitoria: Rio de Janeiro, 1962).

organizational dynamics of labor mobilization went from wage-based demands into politicized claims that argued that the traditional deliberations of salary rises within the realms of governmentally sanctioned corporatist-like “chambers of negotiation” had become insufficient to respond to the contemporary needs of more price control and a more attentive State that could alleviate to the continued maladies of the poor, such as lack of land reform, extended social security programs, etc.⁷

Coordinating this new surge in strikes were new labor organizations that challenged the traditional corporatist structures of labor control by means of creative new forms of organization that increasingly advanced rising demands for a more responsive and nationalist Federal state. Thus, it is clear to say that from the 1940s to the 1970s, while circumscribed by the actions of a Populist (Corporatist) state, Latin American workers were able to maintain significant levels of autonomy and positively affected the struggle for, and the promotion of, democratic institutions throughout the region thanks, to a very significant extent, to their own mobilization and political involvement.⁸

From Social Inclusion to the Debt-Crisis Exclusionary Logic: Neoliberal Restructuring and Globalization in Latin America

As previously stated, during the 1940s and 1950s several Latin American countries embarked on a vigorous program of industrialization. This new path of development assumed the need for governmental involvement in the process of industrialization, either via direct ownership of basic infrastructural industries, or by coordinating indirectly the economy by means of legal and material (subsidies) incentives that regulate supply and demands for products, capital, and labor. These policies involved an aggressive promotion of import-substitution industrialization focused on basic industrial sectors such as steel, energy, chemicals, machinery; and the fostering of capital

⁷ Once again, Brazil is a case in point, even though similar experiences were present in countries such as Argentina, Bolivia, Mexico and Peru. In the Brazilian experience, by the late 1950s the mobilization of workers – particularly urban ones, even though increasingly these same dynamics became noticeable among the rural labor as well - redefined the limits of the political system, pushing for more radical legal reforms, such as land reform, freer labor laws, and a more interventionist State.

⁸ Examples of this enlarged autonomy were the establishment of an Inter-Union Unity Pact in the case of Brazil in the 1950s. For more, see: Renato Colistete, op. cit.; Lucilia de Almeida N. *Delgado, PTB: Do Getulhismo ao Reformismo, 1945-1964*. (São Paulo: Marco Zero, 1989); and Joel Wolfe, *Working Women, Working Men: Sao Paulo and the Rise of Brazilian Industrial Working Class, 1900-1955*. (Durham: Duke University Press, 1995).

accumulation to support the industrialization effort, with growing reliance on foreign private and public sources of investment.

For much of the 1950s and 60s the GDPs of most Latin American countries grew rapidly (an average of 4 to 5 percent annually), and domestic manufacturing as a percentage of GDP grew even faster, resulting in a diversification of their economies and the creation of vast numbers of urban employment opportunities. Gradually, however, local manufacturing output began to saturate the lower end of the consumer market, reaching the limits of what most liberal economists call the so-called “easy stage” of the import substitution industrialization, given that their inherently protectionist policies impinged a heavy toll on their economies, thus creating productive inefficiencies as these protected markets did not have the economic incentives to keep up with the technological advances of the third industrial revolution that took place from the 1970s onwards. These industries would increasingly become dependent on even higher governmental forms of incentives and protection, leading to a deterioration of the traditionally accepted legitimacy of the political establishment. A combination of stalled economic growth and ever higher inflation in the region, thus, coalesced to produce widespread stagflation and growing social unrest.⁹ Along these lines, the 1980s witnessed the demise of the developmental approach of the previous decades, as oil prices, and therefore the cost of production and prices, rose by tenfold throughout the decade. Amidst these global dynamics the logic of state coordination of the economic activities in Latin American proved unsustainable. Similarly, social programs, legal guarantees of employment, production subsidies, and pension funds were all increasingly attacked by rising market-oriented politicians as the causes of governmental budgetary deficits, as well as the stalled national economic growth.

By the same token, by the late 1980s, the new political motto and guideline emerging in the region was in favor of privatizing public services and reducing the presence of the state in the economy. This new political ideology has been commonly referred to as *neoliberalism* and it advocates the primacy of the market in lieu of governmental guidance in the economic sphere of societies, but, interestingly enough, had been promoted in the region, at least partially, by an alliance, established already in the 1970s, between multinational companies and the local capital,

⁹ Peter F. Klaren, “The Dilemmas of Development” IN: P. Klaren and T. Bousset, eds. *Promise of Development: Theories of Change in Latin America*. (Boulder: Westview Press, 1986).

under the blessing of authoritarian military-based governments.¹⁰ Moreover, in addition to the neo-liberal ideology, the 1990s has witnessed a new series of social, political, economic, technological, and cultural tendencies that have affected growing numbers of societies across the globe. The term ‘globalization’ has been utilized to make a generic reference to these new complex dynamics, which are said to result from market-oriented reformulations in the economic and financial activities by means of the technological innovations in transportation and communication technologies of last couple of decades. These reformulations have been conducive to more constant interactions between growing numbers of economies, giving rise to what has been referred to as a “production-system of globally shared information and transactions.”¹¹

The central feature of this new system of production is the role played by information technology in defining the processes of production and decision-making. New technological developments involved in the productive-cycle can no longer be confined within traditional political borders. Profits become largely dependent on technological and managerial innovations. There is a higher mobility of production units within the same industries, growing volatility of financial capital, and financial markets tend to be interconnected across the globe, resulting in a global marketplace available around the clock to those with access to a computer and with the funds to be invested worldwide. Clearly this new technological environ poses new challenges, but also (at least potentially) opportunities for socially-oriented political projects, as described next.

What Now? Beyond Market Globalization: Introducing Global Progressive Activism

While much of the literature about the current process of globalization has been defined either by excessively praiseful or overly critical terms – and aware of the dangers to collective progressive mobilization presented by a basically market-oriented new ideology underlining these very same events – it seems plausible to assume that we should also notice that these technological transformations have also dramatically affected cultural and political dynamics. In fact, increasingly people across the globe have developed new conceptions and new perceptions

¹⁰ Peter Evans. *Dependent Development: The Alliance of Multinational, State, and Local Capital in Brazil*. (Princeton: Princeton University Press, 1979).

¹¹ Eduardo Viola and Alejandro Olivieri, “Globalização, Sustentabilidade e Governabilidade Democrática no Brasil,” In M. Castro and A. Trindade, eds. *A Sociedade Democrática no Final do Século*. (Brasília: Paralelo 15, 1997), p. 180.

about the world around them. New perceptions and conceptions that have been defined as a “global awareness” are becoming pervasive among social activists that perceive that the local mobilizations have also global effects. Moreover, even though these trends are considered to be pervasive throughout the global political and economic systems, the intensity and scope of such dynamics are unevenly distributed.¹² In effect, the technological, economic, cultural, and social transformations that have taken place during the last forty years demand substantial redefinitions in the framework of analysis that we have thus far utilized.¹³

In this sense, it is clear that we need a new framework of understanding that would not place its focus exclusively on structures of the state and legal systems, but would rather focus on the growing importance that global themes have acquired during recent years. Environmental degradation, international terrorism, drug traffic, currency crises, communicable diseases, labor deregulation, unemployment are all themes that require new sorts of political deliberation on a global scope. Likewise, growing numbers of individuals have indeed started reorienting their political loyalties and group identities according to two main assumptions: events taking place anywhere around the globe will influence behaviors elsewhere; individual political influence has increased in such a way that the results of their political actions have been able to reach new grounds.¹⁴

It has been already shown that cooperative patterns of behavior among large numbers of political actors within the context of a shrinking world are more easily achieved when a considerable part of these same actors share converging expectations and values.¹⁵ Similarly, a more sustainable social order in our region depends to a very large extent on establishing cross-sectional and multilateral political arrangements capable of promoting higher levels of international cooperation among all interested parties. Thus, amidst the recent political economic transformations that have taken place across the globe, and particularly in Latin America - all of which pose new challenges to the defense and promotion of social rights – it is important to be aware the very same technological innovations that have globally interconnected production

¹² Hans-Henrik Holm and Georg Sorensen, eds., *Whose World Order? Uneven Globalization and the End of Cold War*. (Boulder: Westview Press, 1995).

¹³ James Rosenau, *Turbulence in world politics: A theory of change and continuity*. (Princeton: Princeton University Press, 1992).

¹⁴ An illustration of this political dynamic can be found in the case of the indigenous populations in the Mexican province of Chiapas. By means of fax and e-mails, these groups were able to gather support from several parts of the globe in their struggles for more autonomy and respect from the Mexican federal government.

¹⁵ D. Puchala and R. Hopkins, “International Regimes: Lessons from Inductive Analysis,” IN: S. Krasner, ed. *International Regimes*. (Ithaca: Cornell University Press, 1983), p. 66.

lines may also offer the means by which progressive political actors may promote a new global agenda of reforms; wherein the state - stripped of its paternalistic aura of the Populist period - may reassert its role of representing social (widespread and diffuse) interests and rights as a counterpoint to the *market-regulates-all* logic.

Final Remarks

As Neoliberalism seems to be increasingly questioned in Latin America, which can be demonstrated in the contemporary regional political and electoral scenarios, it is time for articulating alternatives projects, wherein a historical perspective as the one advance herein may be inspirational if not, at least, enlightening. It is in this sense that this essay had tried to make case that, whereas by mid-century Latin American workers were gradually able to assert their own voices even if within the logic of an authoritarian legal and political order, by the end of the century this maneuverability was sharply curtailed as the top-down protection/surveillance mechanisms, provided by the state apparatus, were quickly reduced amidst a new wave of market-oriented reforms.

While these recent historical developments pose new challenges to autonomous and active organization of Latin American workers (as well as to the social movements), new formats of global activism are also becoming increasingly noticeable, and some recent regional political events offer hope for new forms of political engagement on the part of workers in Latin America.