deficits of the government in turn were traditionally financed with currency issues, a source of new inflationary pressures. It ended in a vicious circle. . . .

Starting in 1962, several circumstances tended to increase the government expenses, independent of the comparative increase in the fiscal revenues, with a consequent progressive evolution of deficits in the case of the National Treasury and an increase of the rate of inflation. There were also serious signs of a worsening of the balance-of-payments situation and the reduction of import capacity. The deficiency of the economic infrastructure became more acute, creating a climate of uncertainty and uneasiness. As a consequence, the level of investments and the growth rate of the economy declined, and the weaknesses of the national economy became more evident.

As a result of all this, increases in the general level of prices, which had reached an average of 15 percent per year between 1941 and 1946 and rose to 20 percent in the period from 1951 to 1958, suffered a rapid acceleration starting in 1959. The rate of increase in the cost of living rose in that year to 52 percent in Guanabara, and, after going down in 1960, started rising progressively until reaching 55 percent in 1962 and 81 percent in 1963. In the first quarter of 1964, it reached 25 percent and, given its rate of acceleration, it could have very well reached 150 percent by the end of the year. . . . The social and political atmosphere of the previous administration could not have been more unfavorable; the following factors should be underlined: the constant political tension created by the disharmony between the federal executive on the one hand and the National Congress and the state governments on the other, distrustful of the anticonstitutionalist intentions and desires of the old regime [to maintain itself in power]; a penchant toward state property and control that created a continuous discouragement and threat to private investors; the communist infiltration, generating apprehensions about the overthrow of the social and economic order; the successive paralysis of production by the "strike commands." Not only did urban activities suffer, but also investment in farming and cattle raising were discouraged. . . . Political instability and administrative improvisation prevailed, producing a lack of national direction . . . the entrepreneurial classes suffered from a crisis of distrust; the working classes found themselves frustrated because of the impossibility of their realizing the demagogic promises; finally, certain more restless groups, such as the students, not finding an outlet for their idealistic impulses, slipped into the error of subversive solutions. . . .

To summarize, when this government took power, the financial and economic situation was truly gloomy. To the structural deficiencies of the national economy had been added temporary troubles which underscored these [deficiencies], disrupted internal markets, pushed the increase in prices to the verge of extreme inflation, generated a crisis of confidence [and] a slowdown in the flow of investments and in the rate of economic development. [These troubles also] increased the level of unemployment, and, finally, they damaged the country's credit abroad. The most urgent task, therefore, was to contain the extraordinary rise of the general level of prices, to recover the minimum necessary order for the functioning of the national economy, to overcome the crisis of confidence, and to return to the entrepreneurs and to the workers the tranquility necessary for productive activities.

8. The Bureaucratic-Authoritarian State • Guillermo O'Donnell

Political theorist Guillermo O'Donnell outlines the main characteristics of his bureaucratic-authoritarian state. The government was controlled by the military, whose social base was the "upper bourgeoisie." Its twin aims were "the restoration of 'order' in society by means of the political deactivation of the popular sector [or repression], on the one hand, and the normalization [or stabilization] of the economy, on the other." The regime, he emphasized, was both politically and economically exclusionary, by which he means that its harsh repressive and stabilizing measures adversely affected the majority. By opening the economy to the world market, the bureaucratic-authoritarian state also allowed foreign "transnational" companies to penetrate and therefore "denationalize" the economy.

The bureaucratic-authoritarian [(B-A) state has the following principal characteristics:]

1. It is, first and foremost, guarantor and organizer of the domination exercised through a class structure subordinated to the upper fractions of a highly oligopolized and transnationalized bourgeoisie. In other words, the principal social base of the B-A state is this upper bourgeoisie.

2. In institutional terms, it is [composed] of organizations in which specialists in coercion have decisive weight, as well as those whose aim is to achieve "normalization" of the economy. The special role played by these two groups represents the institutional expression of the identification, by its own actors, of the two great tasks that the B-A state is committed to accomplish: the restoration of "order" in society by means of the political

deactivation of the popular sector, on the one hand, and the normalization of the economy, on the other.

3. It is a system of political exclusion of a previously activated popular sector which is subjected to strict controls in an effort to eliminate its earlier active role in the national political arena. This political exclusion is achieved by destroying or capturing the resources (especially those embodied in class organizations and political movements) which supported this activation. In addition, this exclusion is guided by a determination to impose a particular type of "order" on society and guarantee its future viability. This order is seen as a necessary condition for the consolidation of the social domination that B-A guarantees and, after achieving the normalization of the economy, for reinitiating a highly transnationalized pattern of economic growth characterized by a skewed distribution of resources.

4. This exclusion involves the suppression of citizenship, in the twofold sense defined above. In particular, this suppression includes the liquidation of the institutions of political democracy. It also involves a denial of lo popular (relating to "the people," or pueblo); it prohibits (enforcing the prohibition with coercion) any appeals to the population as pueblo and, of course, as class. The suppression of the institutional roles and channels of access to the government characteristic of political democracy is in large measure oriented toward eliminating roles and organizations (political parties among them) that have served as a channel for appeals for substantive justice that are considered incompatible with the restoration of order and with the normalization of the economy. In addition, B-A appears as if placed before a sick nation—as expressed in the rhetoric that derived from the severity of the crisis that preceded its implantation—whose general interest must be invoked; yet, because of the depth of the crisis, B-A cannot claim to be the representative of that sick nation, which is seen as contaminated by innumerable internal enemies. Thus, B-A is based on the suppression of two fundamental mediations—citizenship and lo popular. In an ambiguous way it may evoke the other mediation—the nation—but only as a "project" (and not as an actual reality) which it proposes to carry out through drastic surgical measures.

5. B-A is also a system of economic exclusion of the popular sector, inasmuch as it promotes a pattern of capital accumulation which is highly skewed toward benefiting the large oligopolistic units of private capital and some state institutions. The preexisting inequities in the distribution of societal resources are thus sharply increased.

6. It corresponds to, and promotes, an increasing transnationalization of the productive structure, resulting in a further denationalization of society in terms of the degree to which it is in fact contained within the scope of the territorial authority which the state claims to exercise.

7. Through its institutions it endeavors to "depoliticize" social issues by dealing with them in terms of the supposedly neutral and objective criteria of technical rationality. This depoliticization complements the prohibition against invoking issues of substantive justice as they relate to lo popular (and, of course, class), which allegedly introduces "irrationalities" and "premature" demands that interfere with the restoration of order and the normalization of the economy.

8. In the first stage that we are considering here, the political regime of the B-A state—which, while not formalized, is clearly identifiable—involves closing the democratic channels of access to the government. More generally, it involves closing the channels of access for the representation of popular and class interests. Such access is limited to those who stand at the apex of large organizations (both public and private), especially the armed forces and large oligopolistic enterprises.


Jonathan Hartlyn and Samuel A. Morley

Political economists Hartlyn and Morley summarize the measures taken by the bureaucratic-authoritarian regimes to stabilize the economy. These measures included: 1) steps to allow the market rather than the state to allocate resources, 2) efforts to control inflation and correct the imbalance of international payments, and 3) government incentives to improve export and agricultural production. The overall approach was orthodox neoliberalism designed to lower inflation by removing government subsidies and balancing the budget while opening the economy to the international market in hopes of restarting economic growth.

Bureaucratic-authoritarian regimes were established in Argentina in 1966 and again in 1976, in Brazil in 1964, and in Chile and Uruguay in 1973. These regimes, particularly those initiated in the 1970s, pursued a common set of economic policies. First, they all believed in price mechanisms and a free market, which was expressed in a desire to let profit incentives and prices, rather than government planners, determine the allocation of resources in the economy. The Chileans were far more orthodox and rigid in this