THE PLEASURES OF GLOBALIZATION. At the dawn of the new millennium, consumer culture is everywhere in Latin America. For the well-off minority, the new accessibility of imported goods brings long-awaited satisfactions. But for the poor majority, like the residents of this poor Guatemala City neighborhood, where people can afford to consume little, the lure of consumer culture produces mostly anger and frustration. Photograph by Jean-Marie Simon.

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RECENTLY, the political pendulum has swung decisively away from nationalism in Latin America. Marxist revolutionaries were, in general, strongly nationalist, and the reactionary dictators who crushed them were often nationalists, too—though of a different kind. In the end, both revolutionary violence and the reactionaries' bloody Cold War victory against the left discredited nationalism. Already by 1990, nationalism seemed the wave of the past in Latin America, something from the sixties generation. And now, after many decades out of favor—boosted by its association with the one remaining superpower, the United States—liberalism has returned to fill the ideological vacuum. The new generation of liberals are called neoliberals. For better or worse, neoliberalism—with a familiar emphasis on free trade, export production, and the doctrine of comparative advantage—reigned supreme in Latin America at the turn of the third millennium.

By the mid-1990s, it already seemed that every president in the region was a neoliberal. Take Fernando Henrique Cardoso, a formerly Marxist sociology professor, a famous dependency theorist who had inspired a generation of radical social scientists throughout Latin America and the United States during the 1970s and 1980s. By the time he was elected president of
Brazil in 1994, Cardoso was a neoliberal. Even the Peronist leader twice elected president of Argentina, Carlos Menem, was a neoliberal. Even the PRI presidents of Mexico, supposed heirs of another great nationalist tradition, were now neoliberals. In fact, Carlos Salinas and Ernesto Zedillo, who led the embattled Institutional Revolutionary Party in the 1990s, both had professional training in neoliberal economics at US Ivy League universities. Neoliberals got the encouragement of the US government, and they put up sails to catch turn-of-the-century winds of globalization.

Neoliberals jettisoned all trappings of economic nationalism and embraced the basic liberal faith in the free market. So they sold off, or privatized, the state-run corporations and public services that nationalists had created all over Latin America as declarations of "economic independence." State bureaucracy is notoriously inefficient around the world, and state-run telephone and oil companies had proved fiascoes in Latin America. Free-trading neoliberals slashed the import tariffs that nationalists had raised to protect Latin American industries. They deregulated capital flows, for example, removing nationalist-inspired limits on profit that multinational corporations could freely take out of a country each year. They reduced or removed the nationalist-inspired subsidies that made basic foodstuffs and public services affordable for the poor. Neoliberals also initiated all-out assaults on inflation, which substantially undermines the functioning of the market.

Neoliberals had few new ideas. Everything they recommended had already been tried in Latin America before 1930. So where did they get their impressive momentum? To begin with, the ordeal of recent years had dimmed the glamour of nationalism, as we have seen. In addition, 1990s neoliberals could take credit for taming the debt crisis of the 1980s.

During the 1980s, many Latin American countries had struggled to keep up payments on foreign debts. These debts had grown huge suddenly, thanks to high world oil prices and heavy short-term borrowing in the 1970s. Overwhelmed, Mexico and Brazil temporarily stopped payments in 1982. As world interest rates rose steeply in the 1980s, large short-term loans had to be refinanced at much higher rates. The national debts of Latin America mushroomed, much as the US national debt was doing at the same time. The difference: Latin American debts were "external," owed mostly to foreign banks. The external debts of the region as a whole rose from $105 billion (1976) to $397 billion (1986), with Mexico and Brazil owing the most. Countries that defaulted on their external debts would find themselves internationally bankrupt and isolated.

Foreign lenders, such as those of the influential International Monetary Fund (IMF), believed that the solution to Latin American insolvency lay in free-market policies. So they enthusiastically promoted neoliberal policies. To encourage neoliberalism in Latin America, foreign lenders gradually "rolled over" the external debts of one country after another into long-term bonds. These debts continued to increase in the 1990s, but now the borrowing countries could make the payments. The IMF typically insisted on reductions in social spending, and Latin America's poor felt the pinch of this "belt-tightening." Still, the crisis was over, and the region seemed to have turned a corner.

Neoliberalism acquired a strong cachet of success in the 1990s. The hyperinflation that had plagued both Brazil and Argentina for decades was halted rather spectacularly for a while by neoliberal policies. For a few years, Latin America was heralded among US investors as a great emerging market, offering vast investment opportunities. Neoliberal policies encouraged foreign capital in Latin America—and in it came, billions of dollars' worth. US fast food franchises sprang up in major cities from Chile to Mexico. In 1994, the creation of the North American Free Trade Agreement (NAFTA), the linch-
pin of Mexican neoliberalism in the 1990s, seemed portentous to people on both sides of the border. One year later, Brazil, Argentina, Paraguay, and Uruguay inaugurated their own free trade zone, called MERCOSUR. The freer trade of the 1990s allowed middle-class apartment dwellers from Mexico City to Santiago to access the Internet, tune in via satellite to US or European television, and become avid consumers in a transnational economy. Neoliberal reductions in tariff barriers brought lower prices and greater variety in everything imported, from cars to VCRs to cellular telephones.

The neoliberals also attracted new transnational corporations to Latin America, but the impact of that strategy has been mixed. One of the most common transnational operations was and is the maquiladora, an assembly plant using lots of cheap labor, most often women’s labor, to put together imported parts. Low tariffs facilitate maquiladora production. For example, maquiladoras on the Mexican side of the US border may receive parts from Asia, assemble them, then send the finished products across the border for sale in the United States. Maquiladora workers mean little to the companies that employ them. Women who become pregnant, for example, are quickly fired in most cases. Low labor costs constitute the maquiladoras’ main reason for being in Latin America. So neoliberal governments try to hold wages down, even as food and transportation subsidies are withdrawn from the poor.

Chile stood out as the neoliberal success story of the 1990s. Chile’s neoliberal economic reforms began during the years of dictatorship, famously advised by economists from the University of Chicago, the so-called Chicago Boys. By the 1990s, Chile boasted low inflation, good credit, steady growth, and diversified exports, going roughly equally to European, Asian, and American countries. The expansion of the Chilean economy had been so steady and vigorous that it benefited all Chileans to some extent—but, as elsewhere, the middle classes bene-
fitted most. Meanwhile, Chile's distribution of wealth remained among the most unequal in Latin America. The best-case scenario of neoliberalism, in other words, still promised least to the neediest.

In a nutshell, consumers, mostly middle-class people, have benefited most from neoliberalism. To "shop the world," without trade barriers, is obviously an advantage for those with sufficient spending money. On the other hand, most producers have lost out—at least so far. Of course, producers are also consumers, but in greatly varying degrees. Poor Latin Americans consume relatively little, and many more Latin Americans are poor by US standards than are middle-class. Measured in dollars, the US economy generates nearly $40,000 per person, but the Mexican economy less than $6000, the Argentine economy less than $4000, the Brazilian economy less than $3000, the Colombian economy less than $2000, and the Honduran economy less than $1000, according to United Nations statistics from 2003.

Under neoliberalism, the gains made by Latin Americans as small-time consumers has been overwhelmed by their loss as producers. The region's impoverished majority buys inexpensive clothing sold in bins, toiletries arrayed on the edge of the sidewalk, a plastic bucket this week, a cheap digital watch the next. Most of the pitiful wages earned by Latin America's poor majority goes for the bare essentials such as rice and bus fare, day after day, month after month. Meanwhile, as Latin American industries collapse across the region, devastated by foreign competition that the nationalists had kept out, millions of workers face unemployment or long-term underemployment in the so-called "informal" service sector. They sell Chiclets at bus stops, wash windshields at intersections, and collect recyclables in rickety carts. Some are glad to find work in maquiladoras, but how happy can a maquiladora job make anyone in the long run?

Neoliberal reforms have reduced government spending, a step toward balancing national budgets and reducing debt, but at a bitter social cost. The subsidies, protected industries, state-run corporations, and large bureaucracies that the nationalists had created in Latin America were inefficient, true enough. But they also provided a living for millions whom the neoliberals have left unemployed. Similarly, state-run services lost money partly because they provided electricity or running water to the very poor. Privatized telephone companies, for another example, improved telecommunications for those who could afford a phone, but affording a phone became more difficult for many.