

The Latin American State: 'Failed' or Evolving?



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A relatively new concept has come to influence greatly the debates in development studies and political science: that of state failure. Latin American countries have been included in some lists of 'failed states'. However, it is argued that Latin America's plight is far better understood through the prism of a theory of the state that recognises the complex and ongoing, underlying process of transformation through which the region's political institutions are passing.

During the last two decades Latin American countries have implemented profound political and economic reforms. But, the region's deeply unequal income distribution persists. The transition from authoritarianism to democracy implied important changes but has not brought about a solution to the uneven distribution of wealth. This is not, however, a feature of state failure. Rather, it should be seen as the result of historical development and the fact that state formation in Latin America is far from completed. In short, the conflicts and weaknesses besetting the Latin American state flow from a complex process of historical evolution.

Failing States

The idea of state failure is sometimes related to humanitarian disasters generally caused by armed conflicts. Armed conflicts and humanitarian crises are likely to happen in states in crisis. However, the idea of state failure has also been related to dysfunctions of the state.

After 9/11 the concept of state failure became intertwined with international and national security. The September attacks were directly related by the US administration to the collapse of the state in Afghanistan which allowed the training and organisation of terrorist groups. Thus, the identification of states supposedly on the brink of collapse or failure became a US national security objective. Following the attacks, the United States and some European

countries became preoccupied with the internal consequences of civil wars in Third World countries, the presence of national terrorist groups and the incidence of humanitarian disasters. The consequences of state failure in Third World were now seen as a threat to Western states.

While the logic of the Cold War, with its assumption of a balance of power between two super-powers, helped to control national conflicts and state failure from becoming international threats, the end of the Cold War and 9/11 showed that conflicts in Third World countries can have a serious impact in the West. These failing states of the Third World became an issue of international security.

State failure has been defined as the incapacity of the state to provide "the fundamental political goods associated with statehood: physical security, legitimate political institutions, economic management, and social welfare"¹. Most definitions refer to the functioning of the state and attempt to measure state performance. Thus, a state fails if it is deficient in areas such as security, the political system, the rule of law, administration and welfare. This deficiency makes the state unable to "establish a legitimate monopoly of power and protect its citizens from violence."² In this context, the World Bank defines as Low-Income Countries Under Stress those countries with weak policies, institutions and governance.³

This concept generated a number of lists which show different degrees of state failure. The World Bank and the British Department for International Development elaborated lists that aim to guide the policies of international donors.⁴ Significantly, some Latin American countries have been included on lists of state failure. Foreign Policy produced an index of failing

¹ Patrick, S., *Weak States and Global Threats: Fact or Fiction?*, *The Washington Quarterly*, 29 (2), (2006) pp. 27-53.

² Debiel, T., *What can be done with fragile states? Options for development policy and beyond*, Federal Foreign Office, Policy Planning Staff, Berlin. (2005) October.

³ Fridtjof, *Background Paper, Fragile States*, www-fride.org.

⁴ See World Bank, *Engaging with Fragile States*, Washington DC., and DFID (2005) *Why we need to work more effectively in fragile states*, London (2005).

states that included Brazil, Mexico, Peru, Ecuador, Venezuela, Bolivia and Paraguay as *at the limit*. According to this index Colombia is the only country in the region to be considered *in danger*.⁵ Although these lists could be a useful tool for the aid community, the concept of state failure itself remains contested, for a number of reasons.

First of all, it is such a general concept that it can include a diverse list of countries: newly independent countries such as Ukraine, countries emerging from long dictatorships such as Paraguay and countries in post-war situations such as Rwanda^{vi}. It is true that this type of generalisation is used in order to come up with lists of states which need assistance. Thus, the concept of state failure is instrumental. It helps humanitarian donors, human rights activists, security experts and development practitioners organise their activities, strategies and future plans. However, even taking this into consideration, the concept presents important gaps due to the problem of generalisation.

Secondly, since the concept became increasingly important after 9/11, it is considered to be strongly influenced by the new military logic of the US administration, marked by its invasion of Afghanistan and Iraq. The CIA, the National Intelligence Council and USAID have presented new strategies which, based on this new concept of state failure, defined the world's ungoverned spaces as an international security threat and thus legitimate targets for international actions⁷.

Finally, the concept assumes that there is only one form of state, and thus ignore the historical development of the state that takes different forms in each country. It simplifies the idea of the state, presenting the whole concept of 'the state' as uncontroversial. It does not attempt to conceptualise the state as such, but rather focuses purely on its functions. Thus, the concept masks

and obscures the different levels of failures and goals that a state can achieve throughout its life. There are different degrees of failures at the international level as well as at the national level. A state can be weak in security but stronger in good governance; a state can perform better at the local level and worse at the national level.

The 'failed state' concept is thus unduly superficial. It excludes an understanding of the historical development of the state, the conflicts that may have caused the collapse of the institutions of the state, the economic crises which might help to understand the persistence of poverty, the social inequalities which explain internal wars, rivalries or the continuity of social conflicts. State failure is ultimately a label, encouraging cosmetic solutions to the pathologies of public policy.

Here it is argued that the state cannot be fully understood if it is isolated from its historical development, which encapsulates a long process of conflict. Thus, the concept of state failure is only an instrument to analyse the performance of the functions of the state but it is unable to discuss the reasons that can make a state weak. This working paper aims to show that this concept should be enriched with a theoretical conceptualisation of the state that places this institution in its historical context. It also attempts to show that this idea of state failure is not appropriate to analyse recent developments in the Latin American state.

The debate on state failure should help us to provoke a new debate on the nature of the state. This working paper aims to contribute to such a debate in order to enrich the discussion on state failure and fragile states. Space limitations means the working paper cannot aim to provide a comprehensive history of state construction. The more limited aim is to contribute to the debate of the conceptualisation of the state by offering tentative ideas about the complexity of state formation in Latin America. The working paper also aims to explain the changes and complexities of the state in a way that the concept of state failure is unable to offer

⁵ Foreign Policy, *Índice de Estados Fallidos*, n. 15, Julio 2006.

⁶ See lists in Kauffmann, D., Kray, A., and Mastruzzi, M., *Governance matters IV: Governance Indicators for 1996-2004* (Washington DC: The World Bank, 2005).

⁷ Patrick, S. Weak States and Global Threats: Fact of Fiction?, *The Washington Quarterly*, 29 (2) (2006), pp. 27-53.

The Concept of the State⁸

Historical Development

The modern capitalist state is a product of several centuries of development and adaptation. This long evolution has led to the emergence of diverse state forms and a multitude of arrangements in contemporary capitalist state formations. These arrangements are a consequence of highly diverse social relations and levels of societal organisation and control, of different state functions and of different institutional development patterns.

However, the contemporary realities of these states suggest that the picture is complex. It is this complexity that leads to the emergence of diverse social relations and state forms, and which contains partial explanations for the changes that have been witnessed in recent decades, e.g. the shift from bureaucratic authoritarianism to liberal democracy, and the rise in popular mobilisation.

Since Latin American state formation is mostly closely aligned with European state patterns due to colonial influences from the fifteenth century to independence, it is to Western Europe that one needs to turn in order to uncover the roots of the nascent Latin American states from the early decades of the nineteenth century. Since these formations are recent in historical terms and are derived from Western European experiences, it is unnecessary to delve deeper into pre-state formation histories such as tribes without rulers, tribes with rulers (chiefdoms), city states, and early empires to establish a view of the contemporary Latin American state.⁹

Prior to the French revolution and the challenge that this generated for the European monarchic regimes, European society was dominated by social relations based on landed titles and an aristocratic elite that generated its wealth from a feudal system of production and social organisation. It is within this feudal system of monarchs and aristocracies that the origins of the modern state can be found since one of the first functions of the early state was to administer on behalf of the monarchy. In essence, its *raison d'être* was to ensure the generation of wealth for the monarch. This wealth was managed in order to wage war and defend sovereign territory, but it was also destined for consumption, as can be seen in the elaborate architecture, furnishings and arts of the European royal families and their aristocratic allies.

Two worlds co-existed at this time: a small elite bound by their landed wealth and blood ties, living in splendour; and the vast majority of population working in conditions of poverty to create this splendour. However, the feudal system of patronage and the control over social discipline exercised by landowners led to a condition of acquiescence where there was little opposition to the social relations that were in place. There were examples of popular unrest throughout the continent. However, these were brutally suppressed for the most part, and it was not until the French revolution that a major shift in power relations between monarchy, aristocracy and civil¹⁰ society (defined in broad terms as individuals or groups operating in the social space between the state and the family) was achieved, leading to the development of a modern, post-monarchic state formation.

The bureaucratic function of administration on behalf of the monarch or religious leader was enhanced rapidly from 1500 by the print revolution and the spread of literacy. Although literacy would remain

⁸ This section is based on Tedesco, L. and Barton, J. *The state of democracy in Latin America* (London: Routledge, 2004).

⁹ M. van Creveld, *The Rise and Decline of the State* (Cambridge: Cambridge University Press, 1999), p. 2.

¹⁰ The term 'civil' society may be inappropriate for this period since the notion of citizenship emerged alongside revolutionary ideals in the late eighteenth and early nineteenth centuries. However, it should be noted that records of individuals managed by the Church were in existence. Therefore it can be argued that bureaucratic arrangements documenting the structure and organisation of society were already in place and that non-elite society was formally recognized.

socially exclusive for several centuries, the print revolution enabled more widespread communications of regional and national affairs. As such, it was important in extending the influence of those in power, by defining social organisation and notions of commonality, as forms of social control, e.g. law and order. For example, Benedict Anderson¹¹ emphasises that the invention of print technology helped to develop ideas of nationalism and shared identity within sovereign states; Martin van Creveld¹² builds on this idea by pointing to the fact that the quantity of paperwork increased with this print revolution, and this in turn led to the development of a modern bureaucracy to manage it.¹³

These developments can be described as the emergence of the state as a set of institutions. The number of bureaucrats required to manage this paperwork on behalf of the monarchy transformed the concept of the monarch embodying the state and its will within a highly personalised state. Louis XIV immortalised this view with the statement: *l'état c'est moi* (I am the state). This growth of an administrative cadre to support the monarch's management of society led to important changes in the balance of power within countries and by the 1700s, the state had become a more impersonal institution. This impersonal state was no longer fully dependent upon, or subject to the monarchy, and was no longer identified solely with the monarch.¹⁴

The objectives of the new state form would change to reflect this shift in character. While the early state had been created to defend the power of the monarch by exerting influence and authority internally and through war with external or internal opposition, the impersonal state began performing these functions in

its own right, exerting a dominant influence over the sovereign territory and waging war in its own defence. This marked the end of a period when war was considered a personalised affair between monarchs and seigniorial elites. It was now carried out between nation-states, brought together through state structures of order and control, also bound by myths and iconographies of social cohesion emerging from early nationalism.¹⁵

The establishment of regular armed forces, police and prisons followed this transformation in order to pursue the dual objectives of order and control. These tools of internal and external domination would become the earliest features of the exercise of state power and their maintenance would require the expansion of state functionaries beyond purely administrative roles. The key consideration here is that this process gave rise to the emergence of authority that was no longer exercised by the absolutism of a monarch. Individuals from civil society rather than royalty were becoming increasingly influential in terms of the exercise of power, particularly in terms of social control. This in itself marked a sea change in social relations. Rather than the marked division in social relations between the *populus* and the monarch, an intermediate tier of power began to emerge which would provide a link between the two poles.

The evolution of this impersonalised state was still closely aligned with elite interests. For instance, the initial priorities of state activities were the defence of life and property, primarily of the monarch and aristocracy, secondly of the wider population. Nevertheless, over time the institutions that would be created to manage the impersonal state would become gradually more autonomous and a separation of powers would emerge between this state form and the monarch with his or her own personal bureaucracy.

The most important aspect of this process was the shift in authority. Whereas the monarch or religious leader

¹¹ B. Anderson, *Imagined Communities: Reflections on the Origins and Spread of Nationalism* (London: Verso, 1983).

¹² See van Creveld, *The Rise*.

¹³ There is an important relationship that is established at this time between state and sovereignty and that becomes dominant in political theory from this point. The city-states of Italy provided an alternative view of the geographical extent of a state structure at this time. See A. Harding, 'The Origins of the Concept of the State', *History of Political Thought*, 15, 1 (1994), pp.57-72.

¹⁴ See van Creveld, *The Rise*, p. 137.

¹⁵ For examples of the iconography and constructions of nationhood, see E. Hobsbawm and T. Ranger (eds), *The Invention of Tradition* (Cambridge: Cambridge University Press, 1983).

could traditionally be defined as the national figurehead and most powerful actor in domestic politics, the creation of state institutions at least partially independent from monarchy and religion would inevitably lead to conflicts over the control of those institutions and debates over the rights of control and the role of the state itself. A consensus around control by right (conferred by deity or line of succession) had changed to a condition of conflict over state control by political, economic and social actors.

The state was changing and was being socialised in the sense that it was no longer considered merely an extension of monarchic power. Civil society had become more organised within the political space provided by a more independent state, and was more active in the politics of it.

The historical materialisation of the idea of the state reveals some of its most dynamic features. The early institution created to defend the monarch had gradually become a set of institutions that reflected the broader social relations within a territorial space at a particular moment in time. The values imparted by this impersonal state were also important in that they were less elitist than those of the monarchist regimes. Consequently, notions of citizenship, social inclusion and equality became recognised as significant themes around which the state could organise itself, and institutions would be created to advance these values. The historical development of this emerging state form has been analysed, at that time and more contemporarily, through the lens of the social contract – an unwritten agreement between those that manage the institutions of the state and civil society, effectively establishing the rights and duties of each party.^c Although it can be argued that elite groups within society still controlled production through ownership, and thus exercised power over most of civil society through exploitative labour relations, there is a case to be made that the impersonal states did have a closer engagement with wider society than the monarchical regimes that preceded them, and that new political spaces were opened up to question and challenge existing social relations, particularly the

most exploitative ones. The expansion of state education, the regulation of health and working conditions, and the public dimension of social welfare all point in this direction.

This historical development is mainly seen in the West but Third World countries saw this development contaminated by the domination of different colonial models and a late (or almost absent) capitalist development.

Essentially, this process of change over time — the passage from the *l'état c'est moi* to the impersonal state — reveals the shift from the private power of the monarch to more expansive notions of the public sphere. This public sphere was managed increasingly by individuals from within civil society (although the legacy of elite involvement prevailed to a large degree) and the state would become increasingly important in peoples' daily lives as institutions and activities spread across political, economic and social areas.

The state as an institution increased its objectives and functions through the acquisitive power amassed through this process. At the same time, the social relations of the state were changing rapidly to reflect the impact of new technologies in production, communications, transportation and weaponry. The social contracts of the state were changing to reflect this dynamic change in social relations. As such, rights and responsibilities were formulated and reformulated, both informally (through social norms and expectations) and formally (in the legal arena). While these changes meant that civil society was surrendering some functions to state institutions, it was also acquiring other rights in this process. These are highlighted in Thomas Marshall's analysis of the development of the idea of citizenship and the ways in which citizenship impacted on social relations and systems of authority, order and control.¹⁶

¹⁶ I am grateful for the comments of an anonymous reader who suggests that any kind of practical application of the theory of social contract is extremely problematic and points out that the pioneer in social protection was the highly elitist and non-democratic state of

In light of these developments, *the state can be viewed as an historical process of conflicts over the creation and transformation of rights and obligations and over the institutions that impose them.* In different countries across the world, economic and social development from the seventeenth century onwards would reflect this conflictual process in all its diversity. These processes, linked to the values and beliefs embodied in Catholicism and the economic and political interests of Spain and Portugal, provide the basis for understanding the idea of the state that would emerge in the post-independence Latin American nation-states from the early nineteenth century.¹⁷

The fact that the modern state has been analysed in many different ways gives rise to considerable complexity in understandings of the state as an idea of social organisation — over how it is constructed and who controls it, and in terms of what its functions are and should be.¹⁸ To move beyond these critical and polarised versions of the state debate, a conceptualisation of the state that is more sensitive to its contemporary manifestation in Latin America is

Germany's Bismarck. Jürgen Habermas's work on 18th century British public life is similar to the argument presented here since he highlighted the creation of an autonomous public sphere as a key element in rational political change. See, also, T. H. Marshall, *Citizenship and Social Class, and Other Essays* (Cambridge: Cambridge University Press, 1950).

¹⁷ See J. Dunkerley (ed.), *Studies in the Formation of the Nation State in Latin America* (London: ILAS, 2002); and A. McFarlane and E. Posada-Carbó (eds), *Independence and Revolution in Spanish America: Perspectives and Problems* (London: ILAS, 1998).

¹⁸ The bibliography on state theories is rather extensive. See, for instance, B. Jessop, *State Theory: Putting Capitalist States in their Place* (Cambridge: Polity Press, 1990) and 'Bringing the State Back In (Yet Again): Reviews, Revisions, Rejections and Redirections', *International Review of Sociology*, 11, 2 (2001), pp. 149-173; E. Cohen, 'Globalisation and the Boundaries of the State: A Framework for Analysing the Changing Practice of Sovereignty', *Governance*, 14, 1 (2001), pp. 75-98; J. Dunn, *Contemporary Crisis of the Nation State?* (Oxford: Basil Blackwell, 1995); and *The Coming of Unreason: Making Sense of Politics* (London: Harper Collins, 2000); T. Ertman, *Birth of the Leviathan: Building States and Regimes in Medieval and Early Modern Europe* (Cambridge: Cambridge University Press, 1997); P. Evans, D. Rueschemeyer and T. Skocpol (eds), *Bringing the State Back In* (Cambridge: Cambridge University Press, 1985); J. Hampton, *Hobbes and the Social Contract Tradition* (Cambridge: Cambridge University Press, 1986); T. Henriksen, 'The Rise and Decline of Rogue States', *Journal of International Affairs* 54, 2 (2001), pp. 349-373; S. Krasner, *Defending the National Interest* (Princeton: Princeton University Press, 1978); R. Miliband, *The State in Capitalist Society* (London: Wiedenfeld and Nicholson, 1969) and 'The Capitalist State: Reply to Nicos Poulantzas' in J. Urry and J. Wakeford, *Power in Britain* (London: Heinemann, 1973); N. Poulantzas, 'The Problem of the Capitalist State' in J. Urry and J. Wakeford, *Power in Britain* (London: Heinemann, 1973) and 'Towards a Democratic Socialism' in *New Left Review*, 109 (1978), pp. 75-87.

presented here. Rather than focus on the state purely as a set of institutions, e.g. the executive, legislature, bureaucracy, judiciary, and security forces, thus separating the state and civil society, the conceptualisation suggested here is multi-dimensional in scope.

The state is understood here as a complex and dynamic trinity: an abstract idea (state-idea), a social contract (state-social contract), as well as a set of institutions (state-institution). Each of these dimensions will be discussed in turn. However, it should be noted that they are interwoven. The state as a set of institutions is indivisible from the social relations that give rise to those institutions, which legitimise them through support (a social contract between civil society and those that manage them) or undermine them via various forms of opposition. Also, the state as an idea is the very starting point for the existence of state institutions. Why is there not a return to monarchical regimes or even tribal societies in Europe and the Americas, for example? There is clearly an historical acceptance of the idea of the state as a form of social organisation.¹⁹ It is merely the case that individuals and social groups prioritise different elements of the state form as being a justification for its existence and its authority, whether to wage war, to promote social welfare, or to facilitate capital accumulation. It is for these reasons that the state-idea persists within modern societies, synergistically reflecting the social relations of the day through a set of institutions.

The State as an Idea

The state-idea is the most abstract level of the conceptualisation of the state and is, as such, the point of departure for this discussion. The notion of the state as an idea refers to the Kantian concept of the state as

¹⁹ This acceptance is widespread. However, there is an interesting paradox that is highlighted by Bob Jessop: 'On the one hand, it is just one institutional ensemble among others within a social formation; on the other, it is peculiarly charged with overall responsibility for maintaining the social cohesion of the social formation of which it is a part.' See Jessop, 'Bringing the State Back In (Yet Again)', p.167.

an ideal that does not necessarily have an historical manifestation in its pure form. Kant wrote: 'The perfect state may never, indeed, come into being; none the less this does not affect the rightfulness of the Idea, which, in order to bring the legal organisation of mankind ever nearer to its greatest possible perfection, advances this maximum as an archetype.'²⁰ The idea of the state might not materialise as an actual state, but the idea exists as a rational creation that can change over time. There has been, through the centuries, a transformation of this idea of the state as a result of the interaction between the rational creation and the historical manifestations of this 'Idea'. This interaction is significant since it emphasises that the state is a social construction and that its existence need not be presumed.

The State as a Social Contract

The state-social contract is a crystallisation of a social relation that is manifest in processes of emergence and breakdown of social, economic and political alliances. Through these processes, it relates the state-idea to the key themes of legitimacy, hegemony and consent that lend themselves to explanations of the connections between civil society and the state-institution. The social contract, therefore, is instrumental in shaping the state form.

The social contract must be seen as a form of the state-idea that helps to legitimise the social relations that shape the state. In this sense, the social contract expresses the idea of a dynamic institution that changes in accordance with transformations of values and interests amongst groups of people within a national territorial space at a particular moment in time.

Moving beyond Kant's argument that the state is basically an Idea, the inclusion of the notion of the

social contract enables this idea to be realised through activities, such as social relations, and institutions, e.g. government. The social contract is understood here as a rational concept that simultaneously describes, reflects, and emerges from existing social relations.²¹ It encapsulates the state as an historical process of conflicts for the creation and transformation of rights and obligations and of the institutions that manage them.²²

The social contract as outlined here does not explain a bargaining situation. Instead, it is the political representation of the social relations that structure a group of individuals in a given time and space. Social relations, through the social contract, then give life to the state as an institution. What emerges from this situation is that the social contract represents a constraint on ruler and ruled in the light of existing social relations, through the determination of rights and responsibilities.²³

In synthesis, the social contract is the manifestation of the state-idea in that it represents the will of citizens to live under the rule of the state. In most contemporary cases these social relations, and thus the state-institution, are based on capitalism. The contract is renewed constantly yet there are two critical moments: the first when it serves as the foundation for the creation of the state; and the second, once the state-institution has been constructed, when it serves to maintain it and legitimise it by reflecting existing social relations. The social contract implies that people agree to live together under rules that give them rights and obligations, and the authority of the state-institution enforces these rules. For the most part, within the capitalist state, these rules are focused on protecting people and their property from their

²¹ H. Williams, 'Kant on the Social Contract', in D. Boucher and P. Kelly (eds), *The Social Contract from Hobbes to Rawls* (London: Routledge, 1994), pp. 132-147.

²² The roots of the social contract date back to moral ideas based in pre-modern European culture. These ideas, of fidelity, promise, oath and contract, were important not only within feudal relationships but also in the organization of city authorities, guilds and some villages. A. Black, 'The Juristic Origins of Social Contract Theory', *History of Political Thought*, 14, 1 (1993), p. 59.

²³ D. Boucher and P. Kelly, *The Social Contract*, pp. 1-35.

²⁰ I. Kant, *The Metaphysical Elements of Justice, Part I of the Metaphysics of Morals* (New York: The Bobbs-Merrill Company, Inc, 1965), p. xxviii.

compatriots, other states and even themselves. This contract is therefore based both on selfishness and solidarity, and there are collective and individual benefits to gain from participation. Every individual who supports the contract expects benefits, and these are the central reasons for 'signing' and conceding to the rule of the state. These benefits are generated through the chain of solidarity that is formed via the social contract,²⁴ and they are protected to a great extent by the principles of justice that are created within a society as an important element of the contract, as Rawls argues.²⁵ Historically, the idea of the social contract also helped the state to acquire legitimacy.

Although, the social contract does not exist as such, a written constitution and the laws of the state can be considered as the materialisation of the social contract. This legal framework creates and maintains the institutions of the state.

The State as a Set of Institutions

The conceptualisation of the state as a set of institutions refers principally to the structures of law and order that express the social contract, and in particular the hegemony-consent relation.

The state-institution constitutes the system of domination through which society is organised. However, this can take many forms.

State forms

The capitalist state in Latin America has assumed several different forms during the last fifty years. The most prevalent of these include developmentalist, corporatist, populist, bureaucratic-authoritarian and neo-liberal state forms. Although contrasting in principle, the similarity between all these is that they are merely different forms of domination by which different social groups exercise their power through the state: the developmentalist state dominates through the concept of development from above and for all; the corporatist²⁶ state functions through the state's sanctioning of, and negotiation with non-competitive monopolies in different sectors of society and the economy; the populist²⁷ state revolves around the clientelistic arrangements established by personalist politics and the cult of the individual; the bureaucratic-authoritarian state dominates through the idea of normalisation or the reimposition of order; and the neo-liberal state dominates through the construction of the state as the guarantor of democracy, law and order, efficiency and stability.

All of these forms are manifestations of the multi-dimensional and complex character of the modern capitalist state.

It can be noted that different forms of the state reflect not only objective social structures but also cognitive norms, values and interests prevailing in a society at a

²⁴ The best example of this chain of benefits and solidarity is, in the modern state, the tax system.

²⁵ J. Rawls, *A Theory of Justice* (Oxford: Oxford University Press, 1971), p. 11.

²⁶ Philippe Schmitter separates societal corporatism (more common in Europe) and state corporatism (more common in Latin America). The former is more closely associated with voluntaristic arrangements of interest group representation and relations with the state-institution emerging from within liberal democracies; the latter is characterised by force rather than consensus. See P. Schmitter, *Corporatism and Public Policy in Authoritarian Portugal* (Beverly Hills: Sage, 1975), also P. Schmitter and G. Lehmbruch (eds.) *Patterns of Corporatist Policy-Making* (London: Sage, 1982). Howard Wiarda provides an analysis of the influence of corporatism in *Corporatism and National Development in Latin America* (Boulder: Westview Press, 1981).

²⁷ Recent experiences of populism are discussed on a country-by-country basis in J. Demmers et al. (eds) *Miraculous Metamorphoses: The Neoliberalisation of Latin American Populism* (London: Zed, 2001), while earlier populism is covered in M. Conniff (ed.) *Latin American Populism in Comparative Perspective* (Albuquerque, University of New Mexico Press, 1982).

given moment in time. Social relations, normative values and interests evolve, and this combination of changes underpins the emergence of new forms of the three dimensions of the state. The argument presented here provides a means of understanding this complexity and the unifying features of the state, as idea, social contract and set of institutions. What can be emphasised is the central role of social relations. The unwritten social contract is based on certain values and interests that reflect existing social relations, and these in turn are sustained by the state-institution.

Through the state-social contract and state-institution, social relations are institutionalised to a large degree through law and order, and shaped by the economic mode of production and by the values and interests that prevail; the latter are shaped significantly by the leadership of the hegemonic bloc. In this sense, the social contract that sustains the capitalist state is based on specific values, interests, institutions, norms and order.

States, as dynamic processes, will be naturally diverse and complex. Consequently, there are many state forms under the umbrella of the capitalist state. They change either because a traditional *modus operandi* is no longer sustainable or simply because values or interests change. Both of these situations generate crises in the state and are driven by social groups that challenge the dominant state paradigm by questioning the values that are perpetuated by the state-institution. These crises give rise to the emergence of new social relations that most often reflect a different set of values. However, values are neither unified nor established sets of beliefs accepted by all members of a society. Rather, they are dynamic: derived, accepted, disseminated, questioned, dismissed, re-called and/or rejected. Interests also change over time, whether they are material objectives, or ideological, cultural or religious goals.²⁸ The different historical manifestations that the state-idea assumes are all founded on different values, interests and principles that reflect social relations. As these change, new social relations are constructed and

different frameworks for specific policy actions are formulated.

These processes are crucial to question the concept of state failure. The idea of the state in Third World countries, the state as a social contract and the institutions of the state are sometimes confronted by different groups. Examples of these are diverse: the armed guerrillas in Latin America such as the Montoneros in Argentina, Sendero Luminoso in Peru, FARC in Colombia or the Tupamaros in Uruguay. The Cuban revolution, the Nicaraguan revolution and the government of Salvador Allende in Chile also aimed to change the social contract by transforming social relations. This would be followed by the transformation of the institutions of the state. However, these attempts were not the result of a state failure as such. These were conflicts which are considered here as part of the historical development of the state and its dynamic nature.

The dynamic state originates different state forms. The state changes when different groups challenge the dominant idea of the state, the social contract and/or the institutions. These conflicts, these struggles, can provoke the collapse of the state. Thus, the argument here is that the incapacity of the state to provide “the fundamental political goods associated with statehood: physical security, legitimate political institutions, economic management, and social welfare” is based on struggles and conflicts which arise in a particular moment when the dominant social contract is being successfully confronted. Thus, the concept of state failure should take into consideration the conflicts which provoke the collapse of the social contract, the state institutions or the idea of the state. Likewise, many Third World nations are far from having achieved a full development of the state as understood in the West. They are more likely to be threatened by conflicts since their state formation is still under way. Their state is weak. The state is present and absent at the same time. It combines failures and successes as well as legality, illegality, legitimacy and illegitimacy. For a group of unemployed youngsters dealing with soft drugs in a favela in Rio de Janeiro, the state fails to

²⁸ S. Krasner, *Defending the National Interest*, p. 11.

provide education, health or proper housing conditions but, generally, it successfully (and sometimes illegally due to human rights violations) applies the law by persecuting them. The failure of the state to provide basic services can be combined, here, with existing social relations, inherited state features and/or social tradition. In functioning, the state can combine failures and successes.

Apart from analysing the state domestically, it must also be recognised that states interact with other states. Consequently, there are external as well as internal factors that influence the development of the state. Values, institutions, norms, rights, obligations, benefits, types of domination, political regimes, and modes of production are shaped as much by international factors as they are by national ones. For example, the role of external forces was particularly powerful in shaping the development of states beyond Europe, during the colonial expansionist period in the nineteenth and twentieth centuries. More recently, the ideological conflicts of the Cold War period have given rise to a hegemonic post-Cold War consensus that is embodied in new state forms, reflecting a new unwritten social contract.²⁹

The bipolar structuring of the Cold War period and the restructuring of post-Cold War economic globalisation

have been critical in shaping an international consensus on the reforms of the state. The reforms — primarily economic, but also political — have reshaped social structures. Hence new social relations have established themselves and a new state form has emerged. They are based on new (or at least re-cast) values, a state form to reflect these new values, and a new state rationality that 'activates' those values. Through a snowball effect, institutions, norms, forms of domination, and the structures of law and order have been transformed to take into account this new social contract.³⁰ These transformations are critical to an understanding of contemporary socio-economic developments in Latin America.

A working definition of the state can be offered as follows:

It is an historical process of conflict over the creation and transformation of rights and obligations and over the institutions that manage them, as a consequence of the social relations existing in specific territorial spaces at a given moments in time.

²⁹ For an analysis of the Cold War, Post-Cold War orders, and globalisation see S. Amin, *Capitalism in the Age of Globalisation* (London: Zed Books, 1997); R. Brenner, 'The Economics of Global Turbulence: A Special Report on the World Economy 1950-1998', *New Left Review*, 229 (1998), pp. 1-265; R. Cox and T. Sinclair, *Approaches to World Order* (Cambridge: Cambridge University Press, 1996); F. Fukuyama, *The End of History and the Last Man* (New York: Free Press, 1992); I. Gilmour, *Dancing with Dogma: Britain Under Thatcherism* (London: Simon and Schuster, 1992); R. Gilpin, *The Political Economy of International Relations* (Princeton: Princeton University Press, 1987); P. Hall, *The Political Power of Economic Ideas: Keynesianism Across Nations* (Princeton: Princeton University Press, 1989); D. Held and A. McGrew, 'The End of the Old Order? Globalisation and the Prospects for World Order', *Review of International Studies*, 24 (1998), pp. 219-243; S. Huntington, *The Clash of Civilisations and the Remaking of World Order* (London: Simon and Schuster, 1997); R. Keohane and J. Nye, 'Globalisation: What's New? What's Not? (And So What?)', *Foreign Policy*, 118 (2000), pp. 104-125; M. Kramer, 'Ideology and the Cold War', *Review of International Studies*, 25 (1999), pp. 539-576; G. Thompson and P. Hirst, *Globalisation in Question* (London: Polity Press, 1996); R. Tucker, 'Alone or With Others: The Temptations of Post-Cold War Power', *Foreign Affairs*, 78, 6 (1999), pp. 15-25; and W. Wholforth, 'Ideology and the Cold War', *Review of International Studies* 26 (2000), pp. 327-331.

³⁰ I agree with an anonymous reader that this notion of a snowball effect is questionable since it does not take into account "the power that remains semi-concealed in the interstices of an otherwise legitimate and democratic state". However, taking this into account and even if we considered that the snowball effect is limited, it is argued here that the post-Cold War economic globalization has shaped domestic reforms.

The Latin American State

The transition from authoritarian rule has been difficult for the majority of Latin American countries. The replacement of authoritarianism with democracy entailed a *re-writing* of the social contract based on new social relations. Following the breakdown of the equilibrium established by the dictatorships, for reasons as diverse as global recession, human rights activism, inter-state conflicts and the collapse of an economic strategy that had been in place since the 1950s, different values emerged within these societies that threatened the continuation of authoritarian rule.

The legitimacy of the regimes was increasingly questioned and the machinery that maintained the dictatorships began to disintegrate. The first elements that needed to be re-written were the civil-military relations and the role of the armed forces in future democratic regimes. At this stage, there were significant differences between Latin American countries, since the re-writing of the social contract was based on the historical circumstances of each case. Nevertheless, transitions were conflictive processes for all of them, involving a fundamental questioning of values that had been understood as traditional.³¹

The combination of these processes ensured that the transitions involved a crisis of the state in all its three dimensions: as idea, as social contract, and as a set of institutions. Parallel to the transition to democracy in terms of regime change, essential values re-emerged that had a significant impact on the state-idea. Democratic values became more firmly established, while there was a questioning of populism,

developmentalism, and state intervention in the economy. This questioning refuted the legitimacy of the prevailing state-idea, state-social contract, and state-institution. Due to their interconnectedness, the questioning of one of these elements provoked the breakdown of the status quo of the three dimensions. These processes are considered here as different parts of a single transformation: the transformation of the state reflected in its social relations and institutionalised in a social contract, and in the institutions that emerged from that contract.

The transition to democracy was not purely a change of political regime. Instead, it was a far-reaching transformation of the state-social contract and the state-institution.

Democracy is viewed as organised uncertainty that 'can mean that actors do not know what can happen, that they know what is possible but not what is likely, or that they know what is possible and likely but not what will happen'.³² While theoretically this assumption would appear to be valid, in practice in most of the Latin American countries this uncertainty is not so evident. Indeed, the degree of uncertainty is not very high since a small proportion of the population has its interests protected while the majority has not. The reasons for this lie in the institutions of the democratic state that emerged from the transitions that have proved ill-equipped to manage social conflicts within a democratic political environment.³³

One of the main weaknesses of the state has been its incapacity to establish *equality before the law*.³⁴ Crucially, Przeworski notes that 'the decisive step

³¹ It is important to remember that during authoritarianism, a proportion of the population was fighting in different ways to re-establish democratic values. However, democracy was not the only game in town. See Linz and Stepan, *Problems of Democratic Transition and Consolidation* (Baltimore, Johns Hopkins University Press, 1996).

³² Ibid.

³³ See J. Grugel, 'State and Business in Neo-Liberal Democracies in Latin America', H. Smith, *Democracy and International Relations* (London: Macmillan, 2000), pp. 108-26.

³⁴ Joe Foweraker and Roman Krznaric undertook an analysis of the new democracies and identified the lack of civil and minority rights, due to the ongoing dominance of oligarchic power and clientelistic practices. 'The Uneven Performance of Third Wave Democracies: Electoral Politics and the Imperfect Rule of Law in Latin America', *Latin American Politics and Society*, 44, 3 (1999), pp.29-60.

toward democracy is the devolution of power from a group of people to a set of rules'.³⁵ This has not happened in Latin America where it seems that a proportion of the population is still beyond the rules due to widespread corruption, the implicit acceptance of tax evasion or capital flight, and the use and abuse of contacts with, for instance, the political class or high-ranking state employees to further personal ambitions. The uncertainty of democracy and the structural dependence of capital³⁶ can be ameliorated by rules and institutions, since both give actors the possibility to achieve their objectives even if, in the short-run, they have to deal with unfavourable situations or outcomes. Defeats can be accepted if the institutional framework provides a potential future success.³⁷ The state-institution that emerged in Latin America does not provide this balance between defeats and successes since it has been unable to establish equality before the law for all its citizens, and also because horizontal accountability is weak.³⁸

The reforms of the state-institution came too late. Once new social relations had been established, the old institutions of the state (which had been impoverished in the process) had to deal with new social conflicts. It has been argued that strong social elements and regulatory frameworks should be present during the first generation of reforms to make them viable and successful. However, these were weak compared with the far-reaching macroeconomic reforms that were implemented.³⁹ As a consequence, the state-social contract and the state-institution were being redefined and transformed by these first-generation reforms in a

chaotic and conflictive way, without considering the manner in which impoverished and rationalised state institutions would be able to deal with the social conflicts that would arise. An example of this can be found in the privatisation process whereby the government's capacity to negotiate with the business sector and the trade unions was undermined by the empowerment of business and the translation of public monopolies into private monopolies. Further examples include the slow reform of the judicial system and the unresolved problem of access to justice, especially for the majority of the poor.

The relationship between democracy and economic reforms involved the problem of sequencing – dealing first with the military, then with the economy and finally with the institutions of the state and the quality of democracy. In other words, the problem was derived from applying first-generation reforms (rectifying macroeconomic imbalances), and later second-generation reforms (restructuring state institutions). This division of politics and economics was resulted from minimising the role of the state-institution in organising both the private and the public life of social groups and citizens. Effectively, the process underestimated the importance of the state-institution and its grounding of social relations in the social contract.

The state-institution provides the legal framework which rules the exercise of citizenship and manages social conflicts and conflicts of interests; it ensures the provision of basic services; it monopolises the use of legitimate force; it defends its citizens from external threats; it administers public wealth by collecting taxes, mobilising savings, and allocating resources; and it preserves territorial integrity. During the period of economic reforms, the state-institution was rationalised in order to meet the macroeconomic goals of state expenditure. Instead of restructuring the state according to the new social relations that were emerging as a consequence of democratisation and economic restructuring, the pre-authoritarian state, liquidated through years of authoritarianism, was reduced in its capacity to respond to the ills that state

³⁵ Przeworski, *Democracy and the Market* (Cambridge University Press, 1991), p. 14.

³⁶ Ibid. and A. Przeworski and I. Wallerstein, 'Structural Dependence of the State on Capital', *American Political Science Review*, 88, 1988, pp. 11-31.

³⁷ Przeworski, *Democracy and the Market*, p. 19.

³⁸ Horizontal accountability refers, 'to the capacity of state institutions to check abuses by other public agencies and branches of government'. It complements vertical accountability, 'through which citizens, mass media and civil associations seek to enforce standards of good conduct on public officials'. See Schedler, Diamond, and Plattner (eds), *The Self-Restraining State*, p.3, and Guillermo O'Donnell, 'Horizontal Accountability in New Democracies' in A. Schedler, L. Diamond and M. Plattner, (eds), *The Self-Restraining State*, pp.29-53.

³⁹ A. Foxley, Preface, V. Bulmer-Thomas (ed.) *The New Economic Model*, pp. 3-6.

intervention in the economy had supposedly caused. The imperative of using the state-institution democratically in the formulation and implementation of economic reforms was, in most countries, ignored.⁴⁰

By the end of the nineties, civil societies began to confront the results of the economic reforms. Venezuela, Argentina, Bolivia and Ecuador were some of the examples of turbulent times with economic and political crises, and social mobilisations.⁴¹

Failure or State Evolution?

Recent political events demonstrate that transition to democracy is risky and that democratic consolidation is far from being achieved in most places on the continent. The region has recently witnessed presidents re-elected or thrown out from office by social revolt; ex-presidents and 'newcomers' winning elections; dictators transformed into democrats; populist leaders converted to neo-liberalism; army officials' transformation from organizers of military coups to winners of national elections and traditional political parties disappearing from the electoral map. Despite all this, at the regime level political democracy has survived and been able to maintain its formal procedures and to manage the crises within the framework of democratic rules. Of course, democracy has been damaged by particular actions and popular support seems to be more volatile than ever. However, democracy is, still, the only game in town.

⁴⁰ Not only Carlos Menem and Alberto Fujimori abused the power of the executive to speed up or implement reforms, but also Fernando Henrique Cardoso legislated urgent matters by decree.

⁴¹ Here, it is crucial to highlight that there are deep differences between the formation of the state, and the crisis of the state, in Central America and South America. There are also deep differences in state formation in Andean countries and Southern Cone countries. The historical analysis of the first section shows the significance that the argument presented here gives to historical particularities in the formation of the state. Space limitations constrained the possibility to present here an analysis of the rich diversities on state formation on the Latin American continent.

Although, the political and economic changes that came after the 1980s had the potential to change the state and its social relations, paradoxically, the return of democracy witnessed the emergence of a new social contract that deepened economic and social inequalities under the idea of political equality. *The recent process of state formation frustrated the promise of democracy.* There is, of course, an essential difference between the establishment of democracy as a political regime (fair, free and institutionalized elections; civil, political and participatory rights; separation of powers; accountable governments as minimum requirements) and the democratisation of the state as a social contract that reflects given social relations, and a set of institutions. Political equality could become meaningless in a context of persistent, deep, economic and social inequality. Thus, after the establishment of political democracy, a process of democratization of the state should follow. The essence of democratisation is the transformation of an authoritarian regime into a democratic one, but importantly also of an authoritarian state into a democratic one. *A democratic state should aim to construct Weberian legal-rational institutions in a context of social and economic equality.* So far, Latin American governments have failed in the construction of such a state.

This failure resulted in the questioning of democracy. The confusion came when democracy as a political regime was being judged by the efficiency of governments. Although the nineties meant economic stabilization and brought some economic growth, the recession at the end of the decade, the Argentine crisis, and the persistence of economic vulnerability and poverty resulted in the emergence of a vigorous opposition to neo-liberal reforms. This, together with a crisis of political representation with the collapse of traditional political parties such as in Venezuela, opened the door to a new transformation of the state.

More than ten presidents have been removed before the end of their term in office or have resigned due to their incapacity to govern. This happened in Argentina, Brazil, Ecuador, Paraguay, Peru, Venezuela and

Bolivia⁴². The failure of the combination of liberal democracy and neo-liberal reforms explained most of the cases and was often compounded by corruption, social mobilisations and the breakdown of political alliances. This situation promoted the return to populism with a combination of economic nationalism and a state-regulated market economy.

Populism is a form of political representation often present in the region's history. There are two main protagonists in populism: the leader and the people. It is a form of political identification by which the leader proclaims to be part of the people and the people believe to be fully represented by the leader. In this process of political identification, an enemy is also formed. Generally the enemy is formed by those who previously have oppressed the people through economic or political domination. Thus, in forming a populist regime society and politics become polarised. Populism does not build consensus, on the contrary it creates antagonisms. Behind the emergence of populism, there is, generally, a crisis of political representation or the renovation of political elites. While populism seems to be compatible with democratic elections, it has proved more difficult for it to respect the rule of law. Populism tends to concentrate power in the hands of the president undermining horizontal accountability.

To judge democracy according to government efficiency is as wrong as it is to believe that the failure of the government to provide physical security, legitimate political institutions, economic management, and social welfare necessarily translates into a failed state.. In Latin America different governments have failed at different times, or simultaneously, to provide security, political institutions, sound economic management or social welfare. However the state was still functioning. *Here it is argued that the failure of the state means the breakdown of the social contract and of the legal framework. State failure is to return to the situation*

which existed before the social contract. It is when conflict prevails and there is no consensus on the social contract. There are no signs of such a failure in most of the countries of the region, with the exception of Haiti.

Latin American countries are currently trying to consolidate a Gramscian hegemonic bloc and to construct Weberian legal-rational institutions. Demands for re-building the state, transforming social relations and state institutions in a more democratic fashion are coming from the revolutionary left, the moderate left and the centre. Politicians such as Chávez or Lula and academics such as Enrique Iglesias are all analysing different models to replace the controversial marriage between liberal democracy and neo-liberal policies⁴³.

Most of the countries have undergone constitutional reforms which meant re-writing the materialisation of the social contract. Most of the reforms included electoral changes and a modification of the terms of the presidency mainly regarding the elections. However, in some cases, most evidently Venezuela and Bolivia, the re-writing of the constitution is showing a radical transformation of the social contract, social relations and the institutions of the state.

In the region there is no feeling of state failure. There is, of course, the conviction that the state is failing but is far from collapsing, as in Somalia or Haiti. Thus, the concept of state failure is not generally used although some countries such as Venezuela, Bolivia, Ecuador, Argentina, Paraguay and Colombia appeared in some of the lists that measure governance or states near the brink of collapse.

Some brief examples of recent developments in Latin American countries can help us explain the changes and the complexities of state formation and transformation. Bolivia and Venezuela, which are undergoing deep political transformations and are

⁴² See A. Valenzuela, A., Latin American Presidencies Interrupted, *Journal of Democracy*, vol. 15 (4), 2004, pp. 5-19.

⁴³ See E. Iglesias, El papel del estado y los paradigmas económicos en América Latina, *Revista de la CEPAL* 90, 2006.

included in the lists of failing states, seem to be very good examples to question the idea state failure.

In Bolivia, one of the countries mentioned in the some of the lists, an explosion of civil society activity together with a questioning of the legitimacy of the political class provoked a long period of social unrest and political stagnation in the country. When in October 2003, Carlos Mesa assumed office, voices from the left and right suggested that the new President be given a chance and that social demands and demonstrations be put aside for a while. In this period of crisis Bolivia has witnessed a process of the de-consolidation of democracy⁴⁴.

The insulation of decision-making in the process of economic reform dramatically undermined the process of democratization. This together with political pacts, which dominated Bolivian politics and saw enemies such as Hugo Banzer and Jaime Paz Zamora form a coalition against Gonzalo Sánchez de Losada in 1989, undermined the credibility of the political class and its relation with the population. While traditional politicians continued their policies of alliances, two new movements became quite important. In the 2002 elections Evo Morales and Felipe Quispe obtained 20 and 6 per cent of the total vote respectively, becoming a threat, although largely ignored, to the traditional parties. The emergence of their movements reflects a significant degree of civil society's mobilization and coordination. Salman argues that there is a huge gap between the politicians' policies and the population's demands and expectations.

There is a representational deficit which together with civil society's inability to become a source of positive policy initiatives— its demands have been almost always expressed by blocking initiatives rather than by proposing new alternatives— has submerged Bolivia in a process of democratic deconsolidation. Likewise, the political system and the electoral laws promoted the constant formation and transformation of political alliances. Evo Morales' presidency presents a great

challenge and a dramatic change to the state and its social relations. His victory meant the beginning of a new social contract with the inclusion of a large part of the population, the indigenous population, in the political scenario. There are some disagreements on whether the state in Bolivia needs to be re-built or whether the current political conjuncture is a new step in an ongoing formation of the state⁴⁵.

The Bolivian process is an attempt to transform a failed capitalist state into an inclusive state which combines democracy, capitalism regulated by the government and indigenous traditions. It is a combination that represents what Bolivia is: a country with elements of old indigenous traditions, modern institutions, a market economy and an illegal economy. The success is not guaranteed. Bolivia is still divided and the 2006 July elections showed that the model that Morales is offering is not widely accepted. However, the most important feature of this process is the inclusion of a large portion of the population that has been previously oppressed and ignored. This is a step towards the construction of a democratic state.

Hugo Chávez has, without doubt, polarized Venezuela's society and academic debate. The year 1989 was a turning point in Venezuela. The *Caracazo* signalled the rejection of neo-liberal policies as well as the beginning of the de-legitimisation of the *Punto Fijo* regimen which provided for electoral power-sharing between the two major parties. Carlos Andrés Pérez and Rafael Caldera, and with them the main political parties, proved unable to understand that the *Caracazo* and the attempted coups of 1992 reflected a questioning of the legitimacy of the political system. Contrary to Peru and Argentina— where after winning elections presidents changed their point of view and applied neo-liberal policies, and were re-elected— in Venezuela those leaders were confronted with popular opposition.

Hugo Chávez seemed to have understood this discontent and was able to offer an alternative to

⁴⁴ T. Salman, *Democracy: good play, bad actors, Bolivia and the paradoxes of democratic consolidation, Latin American perspectives*, forthcoming.

⁴⁵ See I. Moreno, . and M. Aguirre, *La refundación del Estado en Bolivia, FRIDE Working Paper*, 2006.

traditional politics. From 1992 Chávez went from a *golpista* to a democratic, charismatic leader. He had to build his power base since he did not have the unconditional support of the labour movement as Juan Domingo Perón or Getúlio Vargas had in Argentina and Brazil, respectively. In order to do that Chávez transformed Venezuela's institutions and appealed to *el pueblo*, bringing the latter back into politics. His political strategy was to build his political power base and to establish direct communication with 'the people.' His political aim was, the renovation of institutions.

As a political strategy, Chávez prioritizes vertical accountability while undermining horizontal accountability. Indeed, even supporters of Chávez recognize that there is a process of concentration of power in the hands of the President. There is also a process of militarization of politics with the Armed Forces gaining autonomy and independence from other government institutions while at the same time directly intervening in the economy and the development of the nation through programs such as Plan Bolívar 2000. The Armed Forces law gives the President control over these forces.. Chávez has created a civil militia with 2.6 millions volunteers, which is also under the President's control.

Socially, Chávez has made some progress that benefits the poor. The new constitution incorporates housewives and illegal workers into the social security system; the government promotes the creation of small and medium size companies in order to minimize the concentration of capital in big business, and promotes agriculture to fight against poverty (in rural areas 84 percent of the population is poor). Beginning in 2002, different programs have been created to promote education, health services in the poorest areas, and the creation of jobs.

After winning the 2006 elections, Chávez was given 18 months by the *Asamblea Constituyente* to legislate by decree in order to put into practice new measures for constructing the *Revolución Bolivariana*, which now has been defined more on traditional socialists terms.

Indeed, Chávez finished his inaugural speech with the old Cuban slogan of *Patria, Socialismo o Muerte*. He will be able to legislate by presidential decree on issues such as the state reform, popular participation, security and defence, and the economy— specifically in areas such as finances, taxes and technology. He has already announced the nationalization of all energy industries and some other companies such as a TV channel. Chávez is transforming the state in Venezuela, its social relations, its institutions and the idea of the state itself. The main concern about Chávez is not his objectives but the means by which he attempts to achieve them. There is an obvious concentration of power in the hands of the president, which is not only undermining horizontal accountability but also, apparently, civil liberties. Chávez is an example of a populist regime that undermines the rule of law and thus threatens the continuity of democratic governance.

President Chávez is the product of the failure of the traditional political parties in Venezuela. He is a common character on Latin America's political scene: a mixture of a democrat and an authoritarian leader; a populist, paternalistic figure who manipulates the media and *el pueblo*; a military *caudillo* who will bring back dignity to the nation and *el pueblo*; and another political leader who attempts to perpetuate himself in power by creating a political and economic model powerfully based on his image. Chávez is an alternative to neoliberalism and liberal democracy. He could be 'more of the same' or could create a democratic political system with an alternative economic model that survives when he retires from office. So far, there are some interesting improvements in social issues while the vulnerability of Venezuela's economy and its dependence on exports has not been reduced. Politically, Chávez still evokes many ghosts from the past.

While these two countries are undergoing state transformation, other countries in the region, which have also been included in the Foreign Policy list, are implementing a far more moderate transformation of the state. President Lula in Brazil is also presenting an

alternative to neoliberalism and promoting direct democracy without undermining democratic institutions. The participatory budget promoted by the PT and the Council for Economic and Social Development (CDES)⁴⁶ are interesting alternatives to the technocratic model of neo-liberal policies that, rather than undermining democratic institutions, uses these to improve democracy. Most importantly, these initiatives attempted to build consensus – in contrast to the polarisation of society and politics promoted by Chávez.

For his second term, Lula has presented an economic strategy which is far more moderate than that of Chávez. One of its main objectives is to maintain the macroeconomic stability achieved by the Plan Real. Economic stability is considered a precondition for achieving economic growth, increases in the employment rate and a better distribution of income. In order to achieve these objectives, the government proposes to expand credit, promote private investment, increase public investment in infrastructure, and implement a tax reform. Lula is proposing a moderate economic strategy very different from the proposals forwarded by Evo Morales or Hugo Chávez.

The political landscape in the region is diverse. Latin American governments are presenting different alternatives to deal with the consequences of economic reforms. While Bolivia and Venezuela are offering a more radical transformation of the state, Argentina, Brazil, Peru, Ecuador, Uruguay, Mexico, Colombia and Chile are more inclined to retain the main features of the 1990s.

Conclusions

The first half of this decade has been extremely dynamic in the process of state formation. While the 1990s were dynamic in economic terms, the region is now facing a time of turbulent, but peaceful, political change. Last year, twelve countries in the region held elections: Mexico, Costa Rica, Honduras, Haiti, Nicaragua, Peru, Colombia, Venezuela, Ecuador, Brazil, Bolivia and Chile. These electoral processes were peaceful and although there were some charges of fraud, none was fully proven. While some countries re-elected presidents, some brought back former presidents for new opportunities and some elected new faces. The political spectrum in the region is now broader than in the 1990s when most of the countries were implementing neo-liberal policies.

This paper has offered a framework through which the state can be studied in historical terms. The idea of the social contract helps to present the essence of the state and the process of state formation as an historical development influenced by conflict. State failure is the collapse of the social contract. In these terms, the countries in Latin America are not suffering state failure. Rather, there is a discontinuity in the institution of the state which is still in the process of formation. There are uncertainties and even crises. But despite weaknesses, the state as an idea, a social contract and a set of institutions has been resiliently functioning across the region.

⁴⁶ The Council for Economic and Social Development was created in February 1993 to give the business community a broader access to and participation in the decision-making process. The Council was created following the examples of the Development Council in France in the 40s and in Holland in the 50s. The CDES and the participatory budget initiatives attempted to re-define relations between the government and civil society groups by establishing new channels of communication. See, M. Doctor, *Lula's Development Council. Neo-Corporatism and Policy Reform in Brazil, Latin American Perspectives*, forthcoming.

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A relatively new concept has come to influence greatly the debates in development studies and political science: that of state failure. Latin American countries have been included in some lists of 'failed states'. However, it is argued that Latin America's plight is far better understood through the prism of a theory of the state that recognises the complex and ongoing, underlying process of transformation through which the region's political institutions are passing.

During the last two decades Latin American countries have implemented profound political and economic reforms. But, the region's deeply unequal income distribution persists. The transition from authoritarianism to democracy implied important changes but has not brought about a solution to the uneven distribution of wealth. This is not, however, a feature of state failure. Rather, it should be seen as the result of historical development and the fact that state formation in Latin America is far from completed. In short, the conflicts and weaknesses besetting the Latin American state flow from a complex process of historical evolution.

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