

Michael Reid, *Forgotten Continent: The Battle for Latin America's Soul*
 Yale University Press: London and New Haven 2007, £19.99, hardback
 400 pp, 978 0 300 11616 8

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LATIN AMERICA TAMED?

From the streets of Buenos Aires to the highlands of Chiapas, from the Bolivian *altiplano* to the *barrios* of Caracas, the last two decades have produced a vibrant and varied series of oppositions to the neoliberal doctrines that were implemented across Latin America in the 1980s and 1990s. The impression of a leftward continental drift was seemingly confirmed by a string of electoral successes for nominally progressive forces: after Chávez in 1998 came Lula in 2002, followed in the next six years by Kirchner, Tabaré Vázquez, Morales, Bachelet, Ortega, Correa and Lugo—a trend that prompted many to announce the demise of the Washington Consensus, and to ask whether Latin America might turn from being its privileged victim to its chief gravedigger.

Michael Reid's *Forgotten Continent* is expressly designed to counter such illusions. Far from being discredited, in Reid's view the policies of the Washington Consensus were responsible for substantial improvements in the region's economic position. Though much maligned, it is they that have enabled Latin America to experience stability in recent years, and to begin to close the gap dividing it from the developed world. But if the gains made in the 1990s are to be consolidated, Reid argues, there must be continuity in economic policy and, above all, political stability to ensure a predictable environment for investors, domestic and foreign. The principal burden of his book is to make the case for persevering with the economic recipes of the 1990s, and for a politics of consensus that would prevent any damaging polarizations along class or ideological lines. As models for this brand of pragmatism Reid cites the governments of Lula and the Concertación coalition of Chile, representatives of a left-of-centre 'democratic reformism' that

needs to be distinguished from the 'populist autocracy' of Chávez. The latter, in Reid's view, poses a serious threat to the region, his redistributive policies a temptation to which electorates must not succumb if the progress made in recent decades is to be preserved and extended.

The remedies offered by Chávez and his imitators are unsustainable in the long run, argues Reid, and can only set Latin America further back on its slow road to prosperity. But he also insists that the region's rulers must undercut the appeal of such measures by tackling in earnest the vast inequalities that have provided populism with its fuel—and which have also acted as a brake on development. It is here that the Washington Consensus is in need of some refurbishment, according to Reid, since it failed sufficiently to emphasize the need for equity alongside growth. Governments in Brazil, Chile, Mexico and elsewhere have sensibly remained committed to the principal macroeconomic tenets of the 1990s; they must now seek to combine this stance with judicious, 'targeted' social spending that will enable them 'to create greater political and socio-economic equity without endangering the conditions for profitable private investment and thus for sustainable economic growth'.

Written between 2004 and 2007, *Forgotten Continent* is the product of Reid's first-hand experience of the neoliberal ascendancy in the region. A member of the London squatters' movement in the 70s—radical sympathies he has obviously jettisoned since—Reid travelled to Latin America in the 1980s, and reported on Peru for the BBC, *Guardian* and *Economist*. He joined the staff of the latter in 1990 to cover first Mexico and Central America, then Brazil, before returning to London to edit its 'Americas' section in 1999. No surprise, then, that much of the book echoes the tone of the *Economist*—the text is peppered with magazine-style evocations of dusty Oaxacan villages or the 'grubby, dynamic chaos' of the *conos* of Lima, and selected locals are ventriloquized to add human interest to various of Reid's points ('people are living a little better nowadays, conceded Panfilo Santiago, the municipal councillor in charge of education'). But *Forgotten Continent* does more than simply transfer to a broader canvas the arguments Reid deploys on a weekly basis in his day job. It is written with a pressing sense of ideological purpose: to guard against the unravelling of the good work done in the 1990s, and to bolster mainstream certainties that may have been shaken by the Argentine default or the radical turn in Venezuela, Bolivia and Ecuador.

In that sense, it represents the summation of a new consensus on Latin America—a status amply reflected in the book's reception in establishment circles, where it has been the object of uniform approval. The dust-jacket boasts enthusiastic puffs from Fernando Henrique Cardoso—'insightful', 'a must-read'—and Jorge Castañeda: 'both a necessary tool and a delightful read'; James Dunkerley adds his endorsement too, calling the book 'formidably

well informed'. Reviews in the Anglophone press have been similarly laudatory: in the UK it has been deemed 'scholarly' and 'meticulous' (*Guardian*), 'persuasive' and 'powerful' (*FT*); in the US, 'brilliantly researched' (*New York Times*), 'not likely to be superseded for some time' (*Weekly Standard*), and 'comprehensive and erudite' (*Washington Post*). Col. McKay of the US Naval Institute insisted that the Obama administration's hemispheric 'decision makers' have this 'excellent work on their must-read list', while in *Foreign Affairs*, Francis Fukuyama concluded that 'Reid is clearly right that a battle for Latin America's soul is unfolding today'.

The moralizing urgency behind Reid's sonorous subtitle is intended to convey a sense of frustration with Western policy-makers, whom he believes to have 'forgotten' an entire continent amid the distractions of Iraq and the War on Terror. This too seems to be an article of faith for writers of the Anglo-Saxon establishment: thus Fukuyama observed in *Foreign Affairs* that 'eyes immediately glaze over' at the mere mention of the region, while in *Foreign Policy* in May 2006, former Venezuelan trade minister Moisés Naím anticipated Reid by declaring that Latin America had become 'Atlantis—the lost continent', having 'disappeared from the maps of investors, generals, diplomats and journalists'. Naím's article is in fact one of a number of fore-runners to Reid in the elaboration of the new consensus: it too praises Lula and Lagos as 'models of more responsible economic governance', and argues for 'tempered' solutions to Latin America's ills; apparently, the region's 'most important deficit is patience'. In their 2004 edited volume *After the Washington Consensus*, John Williamson and Pedro-Pablo Kuczynski—respectively, the British codifier of the Washington Consensus and a former Peruvian prime minister—likewise advocated 'patience', and the need to pursue 'realistic' policies 'steadfastly'; though they also recommend 'paying more attention to the social agenda'. In 2006, OECD economist Javier Santiso similarly endorsed Lula's and Lagos's pragmatic accommodations to the economic status quo, in his evocatively titled *The Political Economy of the Possible*.

Jorge Castañeda, meanwhile, made an important intervention the same year by proposing, in a *Foreign Affairs* article, a distinction between two Latin American lefts—one 'modern, open-minded, reformist', the other 'nationalist', 'strident' and populist—and urging that Western policy-makers support the former and work to contain the latter. Long before this, of course, Castañeda had concluded in *Utopia Unarmed* (1993) that 'the moderate left's only true leverage' was 'being a lesser evil', and that 'the only thing left to fight for is a future that is simply the present, plus more of the same'. Since Reid's book appeared, such views have been buttressed by a volume entitled *Falling Behind* (2008), edited by Fukuyama, who exhorts Latin America to 'follow sensible economic policies' while also 'constructing smart social policies' to deal with inequality, which remains 'a source of political instability'.

Forgotten Continent, then, fits squarely within an existing body of received opinion. But it also represents perhaps the clearest expression of the emergent *pensée unique* on Latin America—marked by a familiar blend of pious anti-poverty rhetoric with unstinting support for the prerogatives of foreign investors and domestic elites, together with a relentless emphasis on the need to keep politics firmly within the confines of the reigning orthodoxy. At the same time, it purports to hold lessons for the wider world: according to Reid, ‘it is hard to overstate what is at stake’ in the struggle between liberal democracy and radical populism. Indeed, ‘the region has become one of the world’s most important and testing laboratories for the viability of democratic capitalism as a global project’. All the more reason, then, to take Reid’s arguments seriously, and to sketch out some counter-arguments to the refurbished consensus for which he aims to provide a new basis.

While the core of the book concerns the period since the end of the Cold War, Reid seeks to give weight to his case by setting his arguments in geographical and historical context. He opens with an outline of the main features of each Latin American country, starting with the two demographic and economic ‘giants’, Brazil and Mexico, moving through the relatively developed Southern Cone states of Argentina, Chile and Uruguay, and then a sequence of poorer countries with large indigenous populations: Paraguay and the Andean states of Bolivia, Ecuador and Peru. Next he turns to the Caribbean basin: paramilitarized Colombia, petro-populist Venezuela, the Cold War battlegrounds of Central America, the creole island twins of Haiti and the Dominican Republic, and the Cuban exception. The US too makes an appearance as an honorary Latin American country, now that some 40 million people of Latino descent live there. Throughout this journey, Reid proffers serial banalities by way of local colour (‘it is perhaps the national football team, with its almost unbeatably stubborn defence, which expresses the essence of Paraguayan identity’).

He then attends to the conundrum of why Latin America has for so long lagged behind the developed world. Here he tackles—and dismisses—the prevalent explanations, displaying particular irritation when it comes to dependency theory. A series of historical chapters then covers the period from 19th-century independence to 1989, providing a reductive and tendentious account in which the complex interaction of social, economic and political forces is simplified into a series of binaries: Latin America’s history should be seen as ‘a contest, between modernizers and reactionaries, between democrats and authoritarians, between the privileged and the excluded’. In Reid’s frankly bizarre re-reading of the Cold War period, ‘reformers of varying hues’ were obstructed by ‘polarization’, as radicals on left and right alike failed to compromise—paving the way for a wave of military coups which, Reid assures us, had little or nothing to do with the US.

The book's central chapters cover the implementation and outcomes of the Washington Consensus itself, the 'populist challenge' from Chávez, and the 'reformist response' from Brazil, Chile and Mexico. Three thematic chapters follow, portraying the transformation for the better of Latin American societies, states and political systems in the last three decades. In conclusion Reid discusses the region's isolated world position—apparently neglected by US and EU alike—and reasons, nonetheless, for a guarded optimism, against the 'persistent denial of progress by many academics, journalists and politicians'. These latter portions of the book contain a good deal of factual material—carefully selected to support Reid's case, of course—but they in essence repeat, from different angles, the four main propositions that form the heart of his argument. I will set these out in turn, before offering an alternative perspective on each.

Reid's first key assertion concerns the positive effects of the Washington Consensus, the principal tenets of which were codified in 1990 by Williamson—who was later to lament his choice of name as 'a propaganda gift to the old left'. Reid boils Williamson's original ten-point recipe down to three main elements: macroeconomic stabilization, liberalization and privatization. If the first was a means for taming the inflation that plagued Latin America in the 1980s, the second would dismantle protectionist barriers and open the way for trade and investment, while the third would ensure goods and services were allocated through market mechanisms. Reid's narrative tracks the progress made across the region in each of these three areas. Stabilization was achieved by scaling back deficits and slashing public spending, while renegotiation of external debts under the Brady Plan brought renewed access to capital markets. Liberalization of trade and finance, too, was a success: Reid notes approvingly that 'by the end of the 1990s, Latin America was the most open region of the developing world'. It is privatization, however, that came to be most closely identified with the Washington Consensus, and a focal point for opposition in several states. Here the record is one of 'misunderstandings': in Bolivia, the multinational consortium led by Bechtel only raised water charges by '43 per cent on average', and there were 'valid reasons' for this—'to discourage wastage', for example. In Reid's view, 'on balance, privatization of public services was clearly positive for Latin America', promoting greater efficiency and increases in productivity while improving infrastructure. But, alas, the benefits were spread thinly, and 'often not very visible', hence privatization's undeserved bad reputation.

In his balance sheet of the Washington Consensus, however, Reid admits that its overall economic record was 'relatively disappointing': growth picked up in the early 1990s, but stagnated from 1998 to 2002, the 'lost half-decade'; the recovery from 2004 onwards, meanwhile, owed much to high commodity

prices. The reason for this underwhelming performance, according to Reid, is that 'too much remained unreformed'—Latin America continues to suffer from technological backwardness, low productivity, excessive regulation, bad transport and weak institutions. The answer, then, is more of the same neoliberal medicine—but this time, with 'a greater emphasis on equity and the role of the state in obtaining it', in line with 'the new consensus being implemented by many governments in Latin America'.

The leading exponents of this new (small-c) consensus—combining 'market and state, growth and social policies' while at the same time 'shielding business from unpleasant surprises'—are Brazil, Chile and Mexico. Praise for the 'democratic reformism' and social policies of these countries is the second key element in Reid's wider case. In all three instances, he portrays a combination of 'effective economic policies' and 'broad political consensus' as preconditions for success. Thus in Brazil, under Lula governments that have adhered to the macroeconomic orthodoxy enshrined by his predecessor, poverty rates decreased and income distribution, as measured by a Gini coefficient, became less unequal. In Chile, the post-dictatorship governments have wisely cleaved to a model whose foundations were laid by Pinochet, achieving some of the highest growth rates in Latin America. Mexico's record is more ambiguous: even after the democratic breakthrough that brought Fox to power in 2000, 'the economy continued to be held back by many vestiges of the corporate state'; but NAFTA has been a positive boon, allowing Mexico to 'diversify its economy'.

It is Mexico that provides the model for the kind of 'targeted' social programmes Reid recommends: the Progresa initiative adopted under Zedillo, renamed Oportunidades under Fox, is a 'conditional cash-transfer' (CCT) scheme that ties parents' benefits to their children's school enrolment. In Brazil, Lula combined several of Cardoso's anti-poverty programmes along similar lines into the Bolsa Família, which by 2006 was paying 11 million families around \$44 a month in cash. It is thanks to macroeconomic prudence that these governments have been able to put such schemes in place; indeed, Reid argues that neoliberal reforms have freed up resources for social spending, 'previously squandered by state-owned companies'. In addition to being more effective, in Reid's view these kinds of state initiative are 'more democratic than the populist programmes of Perón or Chávez' because they are 'based on the notion than every citizen as an *individual*, rather than as a member of a political client group, had a right to education, health and a minimum social safety-net'.

These are the 'reformist' alternatives to the populist temptation incarnated by Chávez, to whom Reid devotes an entire chapter, seeking to develop the third plank of his argument—a critique of the radical left option in Latin America. The bulk of Reid's account here is a narrative of events that repeats

the litany of Venezuela's elites—Chávez's rule is 'less democratic, open and pluralist than that of his predecessors'—while massaging the facts in their favour. Reid claims that by 2001 Chávez had 'managed to arouse a mass opposition movement bent on his overthrow', and 'picked verbal quarrels with interest groups such as the media, the Catholic Church, the trade unions and private business'—though whose interests these interest groups might be representing, and exactly how large this 'mass' movement was, remain unsaid. He also resorts to some deplorable racial scaremongering, observing that Chávez's supporters 'tended to be poorer, darker-skinned Venezuelans . . . linked to him by a quasi-religious bond'.

Mingled in with this essentially ideological exercise, however, are a handful of more substantive points. Reid acknowledges that Chávez's social programmes have had some positive effects—they 'indeed provided the urban poor with services they previously lacked'—but criticizes them for being clientelistic in their operation, opaque in their financing, and 'almost certainly unsustainable'. Moreover, 'given the extraordinary increase in oil revenue, the record of the Chávez government in reducing poverty was not outstanding'—though he refrains from giving any figures. Instead, Reid seeks to dismiss any notion that Chávez might form part of an emergent radical continental bloc: Morales and Correa are mentioned only so as to be distinguished from Chávez, and for the possibility of their countries emulating Venezuela to be eliminated, due to their lack of comparable natural-resource revenues. Chávez's attempts to forge an alternative to the US-backed Free Trade Area of the Americas, meanwhile, are in Reid's view doomed to failure.

Finally, the fourth main element of Reid's argument, running through his book as a persistent ideological thread, is that there is an intrinsic link between neoliberal reforms and democracy, and that the crucial factor in guaranteeing both is 'political stability'. Reid states at the outset, somewhat disingenuously, that his 'main argument' is that 'for the first time in Latin America, genuine and durable mass democracies have emerged across much of the region', withstanding various tests with what he subsequently terms a 'stubborn resilience'. Later he asserts that 'in the long run, democracy and successful market economies are mutually reinforcing'. The proposition is common enough in, say, the 1990s literature on globalization or post-Communist 'transitions' in Eastern Europe; in the case of Latin America, Reid makes a strong connection between the democratization that took place as of the late 70s—part of Samuel Huntington's 'Third Wave'—and the implementation by the newly elected governments of the 80s of the policies later codified by Williamson. In this analysis, neoliberal reforms were part of a grand liberal-democratic bargain, in which economic growth was assured by adherence to common-sense macroeconomics, and grateful electorates responded by

opting for centrist political stability—‘neither Che nor Pinochet’—over the maximal demands of left and right. It is this compact that Reid holds out as the best hope for continued growth, and which must be defended from any mass upheavals or radically redistributive projects.

How should Reid’s argument be assessed? Taking the four principal strands in order, it is clear, first of all, that his evaluation of the impact of the Washington Consensus is altogether too sunny. Notably absent from his balance sheet of the reforms is any mention of their impact on employment and real wages, both of which were severely hit by the shockwaves of neoliberal restructuring. Between 1990 and 2000, according to CEPAL data, official unemployment for Latin America as a whole almost doubled, from 5.8 per cent to 10.4 per cent. The record scarcely improved in the new century: the average for the region remained above 10 per cent until 2005. In Argentina it reached 19.7 per cent after the default crisis of 2001–02, and in Brazil rose to 12.3 per cent in 2003; Colombia’s jobless rate peaked at 19.4 per cent in 1999, and remained over 15 per cent until 2005. Moreover, none of these figures take account of the burgeoning informal sector—a land of ‘opportunity’ in Reid’s eyes, exempt from ‘Baroque labour laws’ and red tape—which by 2004 accounted for more than half of all employment in much of the region, according to the ILO, and as much as 60 per cent in Colombia, Peru, Ecuador and Paraguay. The IMF estimates that in Mexico, it now accounts for around a third of GDP—more than the official totals for industry and agriculture combined.

Across the continent, the expulsion of millions of people from minimally secure jobs and into a state of permanent precariousness has been a core element of the restructuring Reid applauds. It has also involved a forceful downward pressure on wages, reflected in the fact that the share in national income of the bottom decile stagnated or even declined across much of the region in the 1990s—CEPAL figures show that it dropped from an already minuscule 0.7 per cent to 0.6 per cent in Brazil, and remained stuck on 1 per cent in Peru and 1.4 per cent in Mexico. Again, there have been only fractional improvements since 2000: data from 2006–07 show the poorest decile with 0.8 per cent of income in Brazil and 1.5 per cent in Mexico; though there were real gains in Peru, where by 2003 the figure stood at 1.4 per cent. In Colombia, however, the picture is one of worsening deprivation across the same period: whereas in 1991 the bottom tenth took in 1.2 per cent of income, by 2005 their share had dropped by a third, to 0.8 per cent.

Reid adduces a series of Gini coefficients, gauging inequality in distribution of income, to prove that the disparities between rich and poor have been reduced in much of Latin America—though it is noticeable that his figures for the region as a whole stop in 1992. In any case, such numbers only measure the gap in incomes: the amount the poor actually receive

in real terms need not necessarily rise for this to be narrowed. There has, indeed, been a drop in the share of measured income at the top; but this has not been a consequence of social levelling, but rather of the increasing proportion of wealth in the richest decile accounted for by profits, rents and dividends—products of the financial opening of the continent that are not captured in standard income data. Much of the ‘foreign direct investment’ in Latin America since the 1980s has in fact been made by local elites with capital stationed overseas, completing ‘round-trips’ begun by previous episodes of capital flight—enormous sums that would have to be factored into any true picture of the region’s distribution of wealth.

In this context, the wave of privatizations carried out in the 1980s and 90s constituted a vastly regressive *de facto* tax on the poor—ensuring that the provision of basic services and infrastructure was no longer funded by state taxation, but rather by fees levied from end-users many of whose ability to pay had, as we have seen, been severely undermined. Hence the resistance to the Bechtel-led consortium in Cochabamba in 2000, where Reid grudgingly admits that ‘a few people found themselves paying a third of their income on water’, and ‘charges doubled for a small number of very poor consumers’. More fundamentally, there was no pressing economic rationale for privatization by the time it was implemented: as Carlos Medeiros has observed in these pages (see NLR 55), a large number of state-owned enterprises were profitable, and made positive net contributions to national balance sheets, many of which were in any case not in deficit. The impetus behind the privatizations was predominantly ideological—as indicated by the astonishing speed and scale of the process, which in relative terms outdid those of all other world regions barring post-Communist Eastern Europe.

What of Reid’s ‘consensual’ models, and their respective social programmes? First we must properly quantify these ‘targeted’ schemes and place them in context. The Chile Solidario programme is the most miserly: according to World Bank figures, spending on it amounts to 0.08 per cent of GDP, in a country with an official poverty rate of 14 per cent in 2006—over 2 million people. Pinochet’s heirs are, of course, treated far more generously, with annual military spending averaging 3.7 per cent of GDP since 2000. The state-subsidized pension system, meanwhile, accounts for 5 per cent of GDP—contributing far more to the lessening of social disparities. In Mexico, where the poor officially number just under 20 million, Oportunidades is similarly economical, costing a mere 0.37 per cent of GDP. This is dwarfed in significance by the remittances sent home by Mexicans working abroad, which totalled US\$25 billion in 2008, representing around 3 per cent of GDP, and which have surely made more of an impact on poverty than the tokenistic handouts of either PRI or PAN administrations. Brazil’s Bolsa

Família is comparable in scale to the Mexican scheme, at 0.37 per cent of GDP, and should be seen against the backdrop of Brasilia's commitment to iron fiscal discipline: year on year the Lula government has delivered primary surpluses above and beyond IMF recommendations, achieved largely by cutting public spending in crucial areas. In his first term, according to Marcio Pochmann, head of the Instituto de Pesquisa Econômica Aplicada, Lula effectively decreased health and education spending by 7.5 and 5.4 per cent respectively. At the same time, macroeconomic propriety demanded that debt interest payments be met. The public debt in Brazil is largely held by domestic bondholders, who are the beneficiaries of what is effectively a form of regressive taxation; in 2008, they received amounts equivalent to 10 per cent of GDP—in other words, around 20 times the sums allocated for anti-poverty programmes, and over twice the budget for health; this in a country where infant mortality stands at 31 per 1,000 live births, compared to 6 for Cuba, 15 for neighbouring Argentina and 23 for China.

In this light, the 'targeted' social schemes Reid advocates appear as little more than pious window-dressing, amid continual transfers of massive resources to bondholders and the export overseas of ramped-up profits from privatized utilities. They are the symbolic element of redistribution—'homeopathic', in Perry Anderson's phrase—designed to secure mass approval for the ongoing class project of neoliberalism. Their ideological character is made clear by Reid's approval for their 'individual' nature, and by his disparagement of old-fashioned notions of 'entitlement'. For such schemes seek to replace collective rights to a share of national income with atomized dependency on the state—and in the process have worked to entrench existing patterns of poverty. According to a 2007 UNRISD report, through their focus on women as guarantors of compliance with the schemes' requirements, they have also reinforced traditional patterns of gender inequality. Moreover, contrary to Reid's assertions, these programmes are often as clientelistic as the 'populist' practices he decries: under Fox, Oportunidades has been directed above all at rural constituencies more likely to vote for the PAN, while in Brazil, Bolsa Família recipients must register to vote in order to continue receiving payments; Chico de Oliveira has pointed to the unsurprising correlation between CCT disbursements and votes for Lula (see NLR 42).

But perhaps the most telling point against such 'anti-poverty' measures is made by Reid himself, in his discussion of inequality statistics. Here he cites the World Bank to the effect that 'before taking into account tax and state transfers, incomes in the UK and Sweden were not much more unequal than those of Latin America'—in other words, that critical elements in reducing inequalities of income are progressive taxation and a developed welfare system. Yet it is precisely the state's capacity to deliver either that has

been undermined by the Washington Consensus reforms. In the case of the former, as Reid records with no little satisfaction, corporate tax rates shrank from an average of 42 per cent in the mid-80s to 30 per cent by the mid-90s, while VAT rose from 10 to 15 per cent—a flagrantly regressive combination. Meanwhile, divestitures of SOEs have deprived states of revenue streams to fund welfare provision, while fiscal austerity has crippled public services. It is arguably first and foremost the removal of Latin American states from the commanding heights of their economies—the project underpinning the Washington Consensus—that has prevented any systematic reduction in poverty in the region.

Reid's case against the Venezuelan 'populist' alternative is the weakest element in his overall argument, since it does not even rest on selective deployment of facts, but rather on occlusion of the Chávez government's actual record (though here at least Reid, unlike many others, has enough integrity not to actively distort the figures). In the social sphere, this has been indisputably positive: poverty, which had reached an astronomical 65 per cent after the implementation of the IMF's 'Agenda Venezuela' in 1996, has been cut by almost half since Chávez took office, from 55 per cent to 31 per cent. According to Mark Weisbrot at the Center for Economic and Policy Research, government social spending has increased significantly, from 8.2 per cent of GDP in 1998 to 13.6 per cent in 2006, a figure which does not include programmes directly administered through PDVSA or the Fondo de Desarrollo Nacional, which total another 7.3 per cent of GDP. This considerable outlay has permitted a twelvefold increase in the number of primary care physicians, and a cut in the infant mortality rate from 21 per 1,000 in 1998 to 16 in 2005. Unemployment too has dropped in Chávez's decade in power, from 11 per cent to 7.8 per cent—a development facilitated by growth rates averaging 13.5 per cent since 2003.

The Bolivarian model does, however, present a number of problems that are not to be dismissed lightly. Foremost among them is the economy's overwhelming dependence on oil, accounting for 93 per cent of exports. The cycle of dependency is reinforced by the maintenance of a high exchange rate, which has strangled the development of other domestic sectors that would permit Venezuela to diversify its economy. The creation of social programmes operating in parallel to existing state structures has also meant a duplication of bureaucracies, bringing with it inevitable inefficiencies as well as opportunities for misuse of funds. Politically, as Steve Ellner has noted in his *Rethinking Venezuelan Politics* (2008), the *chavista* movement lacks internal mechanisms to promote discussion and debate, which would be critical to ensuring its continued democratic vitality. But Ellner also notes that *chavismo* cannot be simply equated, as Reid claims, with Latin American populists of the 20th century: its emphasis on state intervention and its

fostering of small-scale co-operatives together pose a more direct challenge to existing oligopolies than Perón would ever have considered mounting. In that sense, *chavismo* is not a mere historical regression to the *caudillos* of the 19th century or charismatic figures of the 20th, but rather represents a new and genuinely radical mass phenomenon.

What of the connection Reid makes between the Washington Consensus and democratization? The first government to implement neoliberal prescriptions in Latin America was, of course, the Pinochet dictatorship. Reid shifts somewhat uncomfortably in his seat to acknowledge this, but then applauds the 'negotiated' character of the transition to democracy in Chile. Even in Reid's description, however, it is clear that the process was essentially one of institutionalized threats: 'Pinochet stayed on as army commander for seven years, the civilian government was saddled with a military-dominated national security council, and former military commanders were among nine appointed senators who gave the conservative apparatus a veto over constitutional change.' The pensions of the military were also notably exempt from the privatizations enforced on the rest of the public sector and pension system.

The democratic nature of the 'reforms' as implemented elsewhere is also open to question. In Mexico, the main thrust of privatization was carried out by Salinas, installed in 1988 after a brazenly fraudulent election. The same year, Pérez was elected in Venezuela on a populist platform, but no sooner had he taken office than he reversed course to implement a neoliberal programme; the same happened in Argentina in 1989 with Menem and in Peru the following year with Fujimori. In many of these cases, privatization was carried out by presidential decree, in order to circumvent opposition from elected lower houses—Fujimori even dissolved congress and suspended the constitution in his 'self-coup' of 1992. In Brazil, Cardoso rewrote the constitution so as to sell off state assets. Reid does concede that there have been 'crude assertions of presidential power', but sees them as 'the exception, not the rule'. On the contrary: presidential prerogatives were crucial to the implementation of the Washington Consensus, providing a means for breaking the 'deadlocks' of democratic deliberation in the name of market reform.

Finally, Reid entirely omits any discussion of the impact on Latin America's democracies of structural reforms which have served to increase the influence of financial markets and the multilateral bodies forwarding their interests. Whether in the shape of the IMF, ratings agencies, hedge funds or multinational corporations, a host of outside actors entirely immune from democratic accountability have a decisively increased say over the fate of hundreds of millions, with the power to hold recalcitrant governments to ransom or blackmail them onto the path of macroeconomic orthodoxy.

Latin America's vulnerability to sudden swings in market conditions has become painfully evident since the onset of the present financial crisis. Private capital inflows, for example, halved from 2007 to 2008, and are expected to sink further this year. CEPAL recently projected that the region as a whole will experience a contraction of 1.7 per cent of GDP, but this masks more severe downturns in economies that depend to a greater degree on overseas markets—most notably Mexico, where 80 per cent of exports go to the US alone, and where GDP is forecast to shrink by 7 per cent. Unemployment in Mexico has risen rapidly in the last year, with jobless rates significantly above the national average in northern states where *maquiladoras* play a larger role; in all, almost 600,000 jobs were lost in the six months to March 2009. In Brazil, confident pronouncements that the country had 'decoupled' from the advanced capitalist world have proved mistaken, as industrial output has shrivelled; in the last quarter of 2008, an estimated 800,000 jobs were lost. Argentina too is suffering from falling demand elsewhere, since exports account for around a quarter of GDP. The recent rally in the oil price means Venezuela may be less damaged than its Andean neighbours, but Central American countries, where remittances have a proportionally greater weight, are likely to be hit hard by the recession in the North.

Writing in 2007, Reid was optimistic that 'the next time the world economy is hit by financial instability, Latin America will not be the main protagonist'—failing to take into account the possibility of systemic instability striking down the capitalist heartland, with which the economic fortunes of the region are now ever more closely interlinked. But this is only one of the many damaging legacies of the neoliberal era in Latin America. A region historically marked by deep inequalities has witnessed their entrenchment in quantitative terms, and their amplification in the realm of social experience. The super-rich commuting in helicopters from fortified compounds to skyscrapers, while on the ground the poor scramble to earn a precarious living, and in their midst a thin layer seeks to emulate the consumption patterns of the US or European middle classes—such jarring juxtapositions are more than a mere continuation of 'under-development'. For the Washington Consensus has produced not only substantial shifts in the distribution of wealth and opportunity, but also profound changes in the structure of one economy after another, through processes of de-industrialization and tertiarization, along with an increased emphasis on export-led growth that has compressed domestic consumption, even as urbanization has filled cities with unmet needs.

In sum, the neoliberal decade has bequeathed Latin America a series of socio-economic dislocations that have progressively undermined its potential for autonomous development, and increased its vulnerability to outside shocks. Indeed, the 'reforms' Reid praises have contributed centrally

to instability and inequality in the region, and the 'stability' he recommends to preserve the current dispensation can only serve to store up further crises for years to come. Of course, we should not be surprised that this broader view of the systemic problems neoliberalism has created is missing from *Forgotten Continent*. But nor should we expect the same set of prescriptions to provide an exit from Latin America's subordinate position within the circuits of global capital.