



INTER-AMERICAN DEVELOPMENT BANK



EUROPEAN UNION

An Unequal Democracy?

**Seeing Latin America
through European Eyes**

**Carlo Binetti
Fernando Carrillo-Flórez**
Editors

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Inter-American Development Bank
European Commission

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1300 New York Avenue, N.W.
Washington, D.C. 20577

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Produced by the IDB Office of External Relations

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**Cataloging-in-Publication data provided by the
Inter-American Development Bank
Felipe Herrera Library**

An unequal democracy? : seeing Latin America through European eyes / Carlo Binetti, Fernando Carrillo-Flórez, editors.

p. cm.

Originally published in Spanish under title: ¿Democracia con desigualdad? : una mirada de Europa hacia América Latina.

Includes bibliographical references.

ISBN: 1597820199

I. Democracy—Latin America. 2. Democracy—European Union countries. 3. Equality—Latin America. 4. Equality—European Union countries. I. Binetti, Carlo. II. Carrillo-Flórez, Fernando. III. Inter-American Development Bank.

338.9 S458--dc22

LCCN: 2005938121

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PREFACE

This is the first publication of the recently established Euro-Latin American Network on Governability for Development, which consists of prestigious European centers for research on Latin American politics and institutions, and is being promoted by the Inter-American Development Bank (IDB). The Network was founded jointly by the International Institute for Governance of Catalonia, University of Oxford and the Hamburg Institute for Ibero-American Studies. Its goal is to contribute to a European vision of the challenges and opportunities Latin America is currently experiencing.

An Unequal Democracy? Seeing Latin America through European Eyes is the result of a conference organized by the International Institute for Governance of Catalonia in November 2003, with support from the government of Catalonia and the Special Office in Europe of the IDB. At the conference, a group of international experts discussed three important current issues: democracy, governance and well-being. The book is a compilation of selected papers presented at the conference that address concerns about meeting the challenges of governability and of social cohesion and inclusion in 21st-century societies, particularly in Latin America.

The low levels of governance and social cohesion that predominate in Latin America make these issues critical for development and priorities for inclusion in national and international agendas. While these issues are of major interest, an event such as the Third European–Latin America Summit in Guadalajara in May 2004 provides an expanded audience with current points of view on the topic. One of the core problems addressed at the Summit was inequality and social cohesion in Latin America, a priority for the interinstitutional cooperation launched by Christopher Patten, the European Union Commissioner of Foreign Affairs, and Enrique Iglesias, former President of the IDB.

This book aims to contribute to the reflection and debate on the issues of democracy, governance and social cohesion in Latin America. The discussion of these highly relevant topics should be of use to a broad-based readership seeking to learn about and enhance development in the region. For these reasons we are pleased to give special emphasis to the need and timeliness of such an initiative.

Ricardo L. Santiago
Representative
Special Office in Europe of the
Inter-American Development Bank

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FOREWORD

Europe and Latin America

Democracy, Integration and Social Cohesion

Christopher Patten
Commissioner of External Relations, European Union

In May 2004, 25 Heads of State and Government of the European Union member States and 33 from Latin America and the Caribbean met in Guadalajara for their third Summit, a meeting that builds on a relationship of more than 500 years of political, cultural and trading links. This is a relationship that has included colonialism, certainly, but also anticolonialism; has trumpeted or decried emerging nationalisms of Latin America; has allowed closed markets hidden behind tariff barriers, and has pressed for the opening of trade relations; has seen democracy rise, fall and rise again on both sides of the Atlantic. In short, it is a relationship whose past has been varied, dynamic, at times self-serving, and at times seeking mutual strength. That is why on this occasion it is appropriate to consider just how to build a common future on this combination of deep roots and dynamic change, and how we can, together, reach our common goal of crafting an enduring, prosperous and democratic future.

In that spirit, and from the perspective of a supportive outsider to the region, the focus of this foreword shall be on four policy areas that deserve special attention: economic development, social cohesion, democratization and regional integration, which most thoughtful policymakers in Latin America see as inextricably linked and mutually dependent. There is much that the European Union can do, and does do, to help integrate these policies, but it is only right to acknowledge that real change is in the hands of Latin American countries themselves.

A brief historical review is presented first, as a reminder of better times. The 1990s were years of great promise in Latin America: dramatic economic restructuring and reform delivered sharply lower inflation, increased exports and expanded access to international capital. Trade grew annually by an average of 11 percent. Strong growth in exports and, in particular, imports raised Latin America's share of world trade by al-

most 2 percent. And at the same time, foreign direct investment (FDI) in Latin America grew dramatically: in the first part of the decade, Latin America accounted for an average 29 percent of global FDI inflows to developing countries. In the second part of the decade, that share rose to close to 40 percent. No other part of the world experienced such a rapid increase; for a time it seemed that the Asian Tigers had nothing on the Latin American jaguar.

In parallel with these economic achievements, the region embarked on a thoroughgoing democratization process. Free and fair elections ousted autocratic regimes in favor of governments committed to democracy, the rule of law and respect for human rights.

There was considerable progress in the field of regional integration, most significantly with the Treaty of Asunción, which started the integration process among the member countries of the Common Market of the South (Mercado Común del Sur—Mercosur) in 1991.

A few years on, many of those achievements still stand. But economic and political crises of different natures have afflicted many Latin American countries, as in the cases of Argentina, Bolivia, Colombia, Paraguay and Venezuela. There is a growing feeling that democracy and market reforms have failed to deliver a better quality of life and greater security for citizens. Apathy and disillusionment are holding back further political and market reforms.

The future panorama, however, is not so grim. Despite the economic crisis affecting large parts of the continent, there are the first signs of cautious improvement. Economic decline in 2002 gave way to 1.5 percent growth for the continent as a whole in 2003 and this is expected to rise to 3.5 percent in 2004. Most Europeans would be happy with such growth figures.

The pattern of recovery is still uneven: the robust growth of Argentina and Costa Rica contrasts with less dynamic conditions in Brazil and Mexico. Much still needs to be done to transform hesitant recovery into sustainable growth, and particularly to consolidate the important economic and regulatory reforms of the 1990s. Obstacles to trade still remain in many sectors, especially for small and medium enterprises.

The problem of inequality or lack of “social cohesion” is intimately tied to the challenge of economic reform. The economic recovery of the early 1990s produced significant improvements in social indicators for the region. Yet at the same time, there was a worrying increase in the absolute number of poor people. This paradox illustrates the growing disparities in social conditions and living standards. During the 1990s there was a 3 percent rise in income inequality on average in Latin America.

The President of Brazil, Lula da Silva, explained this in very concise terms a few months ago in Brasília during an interview: “some very rich people want to become even richer.” In most cases this will happen at the expense of many poor people becoming even poorer. And this explains why most reform processes in the region—whether political, social or economic—have failed to harness the potential or attract the commitment of the full spectrum of Latin American citizens.

Fighting inequality and building more cohesive societies are overriding priorities not only for Latin America but for the European Union as well. For all the rhetoric about

European social policy, visible and unacceptable inequalities still remain within European societies. Some 15 percent of EU inhabitants (56 million people) in 1999 were at risk of falling into poverty and over half of those (33 million) faced the persistent risk of poverty. The enlargement of the European Union, bringing in, amongst others, eight central European countries with a GDP per capita one-quarter that of current EU members, will bring new challenges in terms of Europe's social cohesion.

But the problems of social cohesion are even more acute in Latin America. On a scale of 0 to 100, where 100 represents total inequality, Latin America sits at 53.9, much higher than the world average (38), including Africa! The World Bank estimates that the richest 10 percent of the population of Latin America earns 48 percent of total income, while the poorest tenth earns only 1.6 percent. And as the Inter-American Development Bank has pointed out, if income in Latin America were distributed as it is in the countries of Southeast Asia, poverty in the region would be one-fifth of what it is today.

This is important not only in humanitarian terms, but also in terms of practical, self-interested politics. Halving the population of poor people means doubling the size of the market and strengthening the commitment of those who are currently marginalized by the democratic system.

Nowadays there is little dispute about the negative correlation between inequality and growth. No region or country can expect to benefit from growth, sustained development, and political stability if it fails to build inclusive societies that are grounded in social justice. The modernization of economies is a necessary condition for growth, trade and investment but it cannot bring lasting benefits unless such growth translates into widespread improvements in living conditions that reach all levels of society. Latin America can definitely not expect to experience sustained growth unless its societies become more cohesive. "Cohesion" means sharing the fruits of progress more widely, and providing those who are now marginalized or excluded with access to decent public services, to adequate social protection and to justice.

Latin America can no longer put off social and fiscal measures that respond to the needs of a significant part of the population. A study published by the World Bank in 2003, entitled *Inequality in Latin America and the Caribbean: Breaking with History*, reveals the magnitude of the challenge.

Happily, this view is shared by many. Many Latin American governments fully subscribe to the need for change. In Mexico, the government of President Fox has sponsored a new law on social development which requires increases in social spending to keep pace with economic growth. In Chile, President Lagos has adopted a broad agenda of reforms that seek to transform Chilean society into one that is not only wealthier but more equitable, democratic and participatory. President Lula has launched the Zero Hunger (*Fome Zero*) program in Brazil, which aims to ensure quality, quantity and regularity in access to food for an estimated target group of 46 million people with a daily income of under US\$1. And these are only a few examples among many.

Democratization is another key area, and one that has a long history of vital, passionate and sometimes violent debate in Latin America. Again, the relation between sound economic performance and political stability is clear-cut, and works both ways. It is sad, however, that the message does not always get through, especially when eco-

conomic times are hard. So we should all be concerned, though perhaps not entirely surprised, that there appears to be a growing perception among Latin American populations that democracy and market reforms have failed to deliver a better quality of life. A worrying recent Latinobarometer poll indicated that 52 percent of the continent's population felt that they could live under an authoritarian regime if it delivered better economic conditions for their daily lives.

How to counter this? In a recent conference organized by the Inter-American Dialogue, former Brazilian President Fernando Henrique Cardoso said that governments should boost their own effectiveness and that citizens must learn to demand their rights without resorting to violence. President Cardoso referred to two important issues that lie at the core of democratic governability and on which Europe and Latin America should work together.

The first issue is effectiveness. It is not enough to set up democratic institutions; they must work. This means that electoral systems must function properly. The independence of the judiciary must be guaranteed. Political parties must be truly representative. Government policies should reflect a genuine social contract that includes not just the protection of individual rights, but also social solidarity that supports the most vulnerable.

The second issue is the peaceful exercise of civil, political and social rights. In democratic societies there should be no place for violence. Citizens must have confidence in the legal and institutional channels to exercise their rights. Violence and social turmoil may be symptoms of an ineffective political system. The resulting instability further discourages investment and growth. The correlation between a predictable, transparent business environment and an open, inclusive, democratic society is obvious and demonstrable. The challenge to all governments in the region is to make that demonstration a part of all their words and deeds.

These challenges are an open invitation to improve the political, economic and social climate of the continent. And to do so together, because the answer to many of these challenges is further and deeper regional integration in Latin America.

There are many benefits of regional integration. Economic integration will create a larger market and attract more foreign investment, growing but fair competition, and greater negotiating clout. Together, these factors reduce dependency and vulnerability, and offer protection against external economic shocks. Current trade between Latin American countries is weak and declining. According to the World Trade Organization (WTO), the percentage of intra-regional exports in Latin America fell by 10 percent in 2002: 7 percent in the Andean countries and an alarming 33 percent in Mercosur. In 2002, intra-regional exports in Latin America amounted to only 15.4 percent of total exports, compared with 40.3 percent in North America, 48.9 percent in Asia and 67.3 percent in Western Europe. Unless this trend can be reversed, Latin American markets will continue to operate well below their potential.

To make a very simple point, individual Latin American countries have limited trading clout. Brazil is the top trade partner for the European Union in Latin America, but globally it is only trade partner number 14. The European Union trades more with Vietnam than with Venezuela, more with Kazakhstan than with Colombia, more with

Bangladesh than with Peru, more with Mauritius than with Ecuador, and more with Aruba than with Bolivia. The picture improves if one takes the regional blocs together: Mercosur is our eleventh-largest trading partner and the Andean Community our twenty-ninth. And they could be more significant still by harnessing scale economies through regionalization and further progress with economic reform.

Regional integration is also important for stability and conflict prevention. Closer cooperation can be a catalyst for democracy and improved human rights. Regional integration provides opportunities for countries to become more active and influential partners in, rather than dependent spectators of, global, political, economic and social developments. And it allows countries to work more effectively together to combat global challenges such as the trafficking and production of drugs.

One should not overlook the fact that the experience of the peace, stability and prosperity that Europe currently enjoys comes, to a large extent, as the result of its commitment to the goals of European integration.

That is why regional integration is important in the ongoing negotiations with Mercosur. Concluding the negotiations successfully before the end of the year will require serious progress in services, government procurement, investment, intellectual property rights, competition, technical barriers to trade, sanitary and phytosanitary issues, among others.

In the same way, EU integration is the precondition for putting forward a credible offer on agriculture, which is a vital part of any agreement. Further regional integration in these areas is also important for achieving a free trade area that goes beyond WTO commitments. Make no mistake: Europe is strongly committed to a successful outcome in those negotiations if it can possibly be achieved.

In keeping with what Heads of State concluded at the Madrid Summit in 2002, significant regional integration is also needed before association agreements with Central America and the Andean Community can be seriously negotiated. And this is the basis of the Political Dialogue and Cooperation Agreements that were signed with Central America and the Andean Community in Rome in December 2003.

This is not a novel message. Nor is it a recipe foisted on Latin America from the outside. Regional integration is well tried, but perhaps less well tested. Central American integration dates back to 1951, when the Organization of Central American States (ODECA) was founded. In 1993, a new integration framework, the Central American Integration System (SICA), came into existence. The Andean Pact was born in 1969 as a means to strengthen the South America free trade area. As already noted, Mercosur was launched in 1991. Despite these various promising beginnings, however, integration has been uneven and slow. It is not just a matter of setting up regional institutions and concluding agreements. The success achieved in the European Union has underlined the importance of implementing what has been agreed upon and ensuring that institutions function well.

Having looked at some of the issues facing Latin America, and drawing lessons from Europe's own sometimes rocky progress, we can touch on some of the concrete ways that are being sought to promote closer relationships and to support reform in Latin America. Some of these approaches are mundane and some are dramatic; some

are concerned with detailed technical standard-setting and some with promoting human rights projects. However, they are all useful. And they all promote changes that will benefit the people of Latin America. And they all are built on solid foundations: the European Union is the first-ranked investor and second-ranked trading partner for the Latin American continent, the first-ranked partner for South America, and the main provider of development assistance in the region. For example, the European Commission provides three times per capita in Latin America what it provides in Asian countries, and its program for Latin America has increased by 20 percent since 1999.

Cooperation assistance ranges from projects on institutional support, customs harmonization, technical norms and standards, statistical harmonization and participation of civil society to projects supporting regional integration. Likewise, the European Union's performance in deploying assistance on the ground in Latin America has improved dramatically as a result of reforms to external assistance.

We are exploring the possibility of assistance for an intra-regional mechanism, drawing on the experience of an "open method of coordination" which allows EU member States to define common objectives and to learn from their successes and failures in combating exclusion. The aim is to establish common objectives, guidelines and timetables as a basis for comparing best practices. This approach has worked well in European economic and employment policies. Closer cooperation at the regional or subregional level could similarly enhance and support the efforts that Latin American countries are undertaking nationally.

Investment in research, development and education is vital for economic performance over the long term, and it is therefore to be expected that it will continue to gain prominence in European–Latin American relations. What they have already achieved together is encouraging: for example, the Alban scholarship program launched in 2002 has benefited over 250 students from Latin America in its first year. There is enormous potential for Europe to do more in this area.

Regarding social cohesion, the European Union worked with the IDB, the United Nations Development Programme (UNDP), the Economic Commission for Latin America and the Caribbean (ECLAC), and other relevant agencies to draft concrete proposals for Heads of State at the Guadalajara Summit in areas like social and fiscal policy and regional and international cooperation. Prior to the Summit, a €30 million program was launched with the aim of developing public administration networks, in particular in the sectors of justice, health, education and taxation.

As has been made clear, good governance and democratization, which are the vital underpinnings of stability and prosperity, are priorities for European cooperation with Latin America. The new generation of agreements with the region all contain a firm commitment to the principles of good administration or governance and it is a regular subject on the political dialogue agenda. But the intention is also to match words with deeds: a program was recently approved to promote and disseminate the UNDP report on democratic governability in Latin America. Measures to support penal and judicial reform in Latin America are being funded, and work is being undertaken to improve access to justice.

In conclusion, it is possible to make a comparison that may be slightly galling, but which can be illuminating. One of the most surprising things about Latin America is how this continent, which is so full of potential, with enormous natural and human resources, continues to lag behind Asia. The modest growth in Latin America in 2003 contrasts with the 6.1 percent rate of growth in East Asia. The 5.5 percent increase of Latin American exports in the first half of 2003 contrasts with a 16.5 percent increase in Asia. According to the United Nations Conference on Trade and Development (UNCTAD), FDI flows for Latin America and the Caribbean fell for the fourth consecutive year, from US\$56 billion in 2002 to US\$42 billion. By contrast, inflows to Asia increased from US\$95 to US\$99 billion, while FDI in Africa increased by 30 percent. What lessons can be drawn from this?

One lesson is clearly about the ability to attract investment. In the absence of sufficient domestic savings, the economic gap in Latin America can only be overcome with foreign investment. The ongoing negotiations for association agreements and free trade areas between the European Union and Mercosur, as well as the current discussions on how to deepen EU relations with Central America and the Andean Community are relevant here. But the recovery will not be sustainable unless there is a more determined commitment to economic and regulatory reform throughout the region, thereby creating the right environment for long-term foreign direct investment.

The broader lesson is about leveraging Latin America's potential weight in the world. Working together, Latin American countries have the potential to become a powerful voice for stability, democracy and equity. Working together with the European Union, they can contribute to peace and stability through effective multilateralism, and contribute to the development and prosperity of Europe and Latin America by increasing social cohesion, improving democratic governability and deepening regional integration.

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Declaration of the Euro–Latin American Network on Governability for Development

Presented to the Third Latin America–European
Union Summit

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The Euro–Latin American Network on Governability for Development

The Network is sponsored by the Inter-American Development Bank through its Special Office in Europe and its headquarters in Washington, D.C.; it receives additional support from other European and Latin American institutions. Its main objective is to gather the existing knowledge on governability and development—whether codified or tacit, implicit or experimental—and make it available to the actors and coalitions that are committed to the processes of creating and reforming institutional capacities for development in the spheres of government, civil society, the private sector and international cooperation.

Europe can contribute certain perspectives which have not yet been addressed by the hemispheric debate on democratic governability for development. For this reason, the Network strives to identify the efforts being undertaken on this topic in Europe,

Latin America and the Caribbean, and to establish linkages among the regions. The importance of a hemispheric approach is by no means overlooked, and the efforts of the United States and Canada, which are involved with this issue within the framework of the inter-American system, are also taken into account.

From a conceptual standpoint, the Network is involved with both formal and informal institutions. The transition from informality to formality can be achieved only through democratization, and this is precisely what Latin America is currently undergoing. Within this sphere, the Network's main concern is to approach the problems of inequity and inequality, which are now the greatest challenges for democratic consolidation in the region. Some of the Network's functions are (a) to generate a solid body of knowledge in this area of development and promote its circulation, (b) to coordinate European cooperation strategies in this field, given the existence of numerous and diverse initiatives that require harmonization, and (c) to develop studies on specific aspects of governability for development.

The Network is currently working on a strategy to define "institutional development profiles" for Latin America and the Caribbean. The reasons for this are, first, that issues of institutional capacity and development in these countries must be examined on a case-by-case basis; and second, that the entire scope of institutions must be covered—not only the political ones—to clearly establish the linkage between the political and economic realms. These development profiles should translate into national reports that will provide the basis for political dialogue among each country's strategic actors as well as for discussions on European cooperation.

The production of the first reports is scheduled for the end of 2004. They highlight strategies for national institutional development that are on the agendas of strategic actors. This lays the groundwork for a regional agenda for institutional development that begins at the national level, with the aim of incorporating the discussion on the importance of institutional reform.

The Europe–Latin America Summit

The Third Europe–Latin America Summit, convened in Guadalajara in May 2004, was attended by 25 Heads of State and Government from Europe and 33 from Latin America and the Caribbean. The summit took place against the backdrop of two unique circumstances: the global governance crisis and the crisis of the neoliberal agenda throughout Latin America. Europe and Latin America must acknowledge their respective responsibilities and focus on giving effective responses to both.

Europe comes to this summit at a decisive moment. In 2004, it must continue addressing the trans-Atlantic crisis and the internal divisions generated by the war in Iraq. It must handle the eastward expansion that will transform it into a Europe of 25 countries, some of which have per capita GDPs that amount to one-fourth of the European average. It must also create a constitution that allows it to achieve greater institutional capacities and democratic legitimacy. All of this is taking place in the context of the serious structural reforms required to re-ignite growth.

Latin American Institutional Constraints

Latin America comes to this summit at an extremely delicate time. In spite of its achievements and its potential, the region faces a serious risk of political ungovernability and social disintegration. How can this be possible after almost 20 years of democratization?

First, because the task is not at all simple: Latin Americans are asked to perfect their internal markets, complete the construction of their national—or multinational—States, press forward with democratization, bring about greater social cohesion, build cultures of legality and accountability and improve regional and international economic integration. All of this is expected despite very difficult basic conditions, and in a context of globalization that weakens the controlling power exercised by States.

Second, most democratic governments have proved unable to advance the reforms needed to bring about sustainable human development. The economic and social performance of the young Latin American democracies has been, in general terms, mediocre because the democratic political process has been seized by economic and political elites who do not know how, or who do not wish to go beyond the recommendations made by the Washington Consensus. The reforms undertaken in Latin America have not always been adequate, and in any case they have fallen short of their objective: they have failed to alter the unfair, inherited balances of power, and the persistent inequality that results. International cooperation bears a large share of the responsibility for all of this, because frequently it gave its blessing to and financed these reforms, deeming them necessary and adequate.

Latin Americans are democrats, but they are increasingly uncommitted to the individual democracies in which they live, and there is even a slight majority that has expressed its willingness to accept autocratic regimes that can improve economic and social conditions. The crisis of confidence in politics and in politicians, together with weak institutions, destroys collective action and spreads a dangerous attitude of “every man for himself” throughout the social fabric. Conceptual confusion took root in the collective mindset as leaders such as Carlos Salinas, Carlos Andrés Pérez, Carlos Menem and so many others proclaimed that their countries had already become “democracies,” with “market economies” and “rule of law.” Citizens have no reason to be aware of the scope of these concepts, and because international cooperation has not been able or willing to explain them, the result has been disinterest and a general willingness to surrender to renewed populist adventures. There is a high risk that even after so much effort and pain, very little will have been learned. Europe must help Latin America to face its harsh realities: poverty, inequality, scarcely viable democracies, incomplete and very imperfect markets, low levels of constitutional rule, high levels of corruption, etc. It must do so by joining the efforts of the Latin American peoples and governments not only to deploy new policies, but to shake the institutional foundations of their economies and their political systems—“the social fabric of public policies”—which are at the source of all the problems.

An unexpected character has suddenly appeared in the drama of Latin American development: inequality. Very few people are aware, however, that this is institutionalized inequality, mainly at the informal level, which has permeated the entire social fabric and prevents—or makes it extremely difficult to achieve—democratic progress, market efficiency, effective government, a culture of legality and, for these reasons, social cohesion. This inequality has a long history and reflects the imbalances in distributing power and wealth. These imbalances come as a result of historical processes charged with conflict and have been resolved through arrangements that only managed to provide volatile stability. The present formal and informal institutional character of these arrangements is not only unjust, but also inefficient. No solid or lasting growth will ever be possible without profound institutional reform; it could almost be said to be an institutional “overhaul” of Latin America.

To understand what an institutional “overhaul” means, and to avoid the easy answers, it is necessary to understand the nature and roots of Latin American inequality. It is not a subproduct of failures in market economies, which, as such, do not exist in virtually any country; rather it is the direct product of the region’s own history. It is well known that Latin America has the highest inequality in income and wealth in the world—a fact that minimizes to practically nothing the value of the aggregate data on the region’s development. Indeed, Latin America displays per capita GDPs and human development indices which are considerably higher than those of other developing countries. However, its levels of poverty and extreme poverty correspond to far lower aggregate development levels. It is calculated, for example, that with the same levels of inequality recorded by Asia, the number of poor Latin Americans would be reduced to one-fourth. On the other hand, while Latin America as a whole has advanced in the course of the last 25 years, in the aggregate it has advanced less than the rest of the world.

The fact that inequality cannot be reduced without sustained growth points to the institutional character of inequality. The problem is much worse than just inequality in income and wealth. We are facing, above all, inequality in capacities and opportunities. Citizens are profoundly unequal. First, they are unequal on account of gender and of ethnic origin. Second, they are unequal in their access to security from natural hazards and from threats posed by criminality or by social or employment dynamics. Third, they are unequal with regard to property rights—the assets of the poor are ill-defined, unprotected by the legal system, and do not generate capital outside of informal and inefficient financial markets. This inequality extends to access to justice and services provided by public administration. The “costs” of uncertainty borne by the poor in their relations with public entities condemn them to the constraints of economic informality. Fourth, they are unequal in access to education and health. There have been undeniable achievements in these fields, but the fact is that the education and health that give people access to well-paid jobs remain in the hands of the upper classes. Fifth, they are unequal in terms of access to business opportunities and productive employment. Sixth, they are politically unequal, because conditions of poverty and extreme poverty lead many to view elections as opportunities to sell an asset—their vote—while others participate not because of programs, but because they need to find

a job or earn income. Patrimony, sinecurism, clientelism, corruption and even corporatism are informal institutions that ultimately degrade political freedoms. High rates of inequality and poverty call into question the axiological foundation of democracies, namely, that no life is worth more than any other, and for that reason, all have the same right to political participation.

In Latin America, inequality is not the consequence but the cause of the imperfections of democracy, the markets, the rule of law, the effectiveness of the State and the extreme social and political polarization. If the progressive reduction of inequality is not made the priority of the development agenda, there is no doubt that any newly proposed programs will bring new frustrations. That is why social policies alone are not an effective way to combat inequality. Overcoming social inequalities affects all public policy, and above all it requires a change in the balances of power and in the rules of the game among the different social actors—in other words, it demands institutional reform.

An effective institution always expresses a balance which is the result of the conflict and consensus among the actors governed by the institution. Institutions do not express optimum rationality—they are an alternative among other possibilities of social organization. Their balance is always dynamic. Crony capitalism is not the same as capitalism institutionalized in market economies. Democratic institutions operating in a social organization that guarantees citizens civil, political and social rights, and in which citizens intervene directly in politics from a position of freedom, are not the same as democratic institutions operating in a context of helplessness, fear and submission, in short, where personal and family autonomy are lacking. This distressing economic and social condition gives rise to the informality of caudillism, clientelism, mercantilism, sinecurism and patrimony; it intensifies corporatism; it generates extreme political polarization, instability and corruption. Institutions are always formal and informal, and it is intellectually and ethically wrong to disregard any of their components. No credible institutional reform will be possible until the reform of institutional informality is addressed in a consistent fashion.

What Europe Can Offer

Europe has much to offer Latin America in this regard. The social State grounded in the rule of law and social (or eco-social) market economy are genuinely European constructs. Their founding principle stems from the fact that on the one hand, free and efficient markets are not a natural state, but are the product of a difficult historical and institutional construction, and on the other hand, the forces unleashed by efficient markets cannot put social cohesion or environmental sustainability at risk. Europe's historical experience is that markets combine efficiency and cohesion only when they are recognized and guaranteed at the same time that they are regulated and limited. The rule of law is also necessary for the economy. Without it, mafias and the rule of force flourish instead of free markets.

European economic integration has been based not only on supranational institutions, but also on the existence of compatible and reliable national institutions. Simple free trade areas can tolerate enormous differences between the domestic economic and legal institutions of nations. Building a genuine common or domestic market (which is a very superior form of economic integration) cannot be done without the European method of building a body of supranational law that is effective only when national institutions are in line with it. The performance of the principle of mutual recognition and trust in the application of community law to nations would be impossible without this institutional and legal coherence.

Latin America has been unable to obtain all the potential benefit of regional economic integration in part because of the weakness and unreliability of its domestic institutions. In general terms, the basic institutional characteristics that support market economies are absent, namely, universally defined and secured property rights; administrative legality; professionalism of public officers; freedom of enterprise manifested by low costs for formalization, effective competition and absence of barriers to and regulations for leaving the market; universality of basic workers' rights and guarantees; independent regulatory and supervisory mechanisms; etc. This is the case because the existing institutional framework does not protect the assets of the poor (or it protects them in a discriminatory manner); it fosters arbitrary interventions by the public administration in economic life; it uses patrimony and sinecurism to retain public servants; it imposes high costs for formalizing business; it fails to protect competition in the internal market; it often protects inefficient companies; it does not grant effective protection to workers and creditors when companies have to leave the market; and finally, economic regulations and supervision by agencies pose serious doubts about impartiality and technical expertise.

The existing political, economic and social informality is at the hard core of Latin American institutions, and its spread sickens democracy, weakens the market and disintegrates societies. The Washington Consensus was successful among elites because it promised development without having to change any of the basic structures of political, economic and social power. Now there is a new dangerous illusion: that by simply opening developed markets to competitive Latin American products there will be a major leap forward. Open markets and debt relief are defensible, but under conditions of severe institutional reform. Lacking such reform, Latin American countries will repeat enclave development patterns, and the benefits of exports will remain in the hands of economic elites who are committed neither to the development of the national markets nor to national productive capacities. These elites, who are increasingly connected to transnational corporations, will continue to resist fiscal reforms using allegations about corruption or the use of taxes to pay off cronies that they usually level at the government—with whom they nevertheless enjoy privileged relations.

Latin America is a highly urbanized region. Over 75 percent of Latin Americans live in cities. One of the main objectives of institutional reform is to strengthen local and regional governability. In a globalized world, cities and regions have taken on a new role as facilitators of economic and social development. Competitiveness, productivity

and solidarity depend not only on national macroeconomic and political conditions, but also on the actions of local and regional governments. The creation of an environment favorable for developing local production capacities, attracting investments and improving links with global markets is decided at the national, regional and local levels. Cities, city networks and regions have ceased to be simply administrations providing services; they have become, above all, governments that spearhead the development of their respective territories. The State's foreign service is now complemented by a new diplomacy of cities, which is often capable of articulating transborder relations that States would find very difficult to establish. The outlook of the Altiplano Marítimo region, for instance, is not an inter-State creation, but the result of a forward-looking effort by the mayors of Arica, La Paz and El Alto. Sometimes cities can bind together what States separate.

A renewed focus on urban governability must go hand in hand with the transformation of the old Latin American federalism into cooperative federalism. The old type of federalism institutionalized balances of power between national and regional elites which did not help the integration of domestic markets. This institutionalism provided stability, but at the cost of enormous economic inefficiency. Today, many countries are advancing toward regionalization and/or the restoration of federalism. Europe can give valuable support in this field, given the richness and diversity of its experiences: the decentralization of the Nordic countries, the German cooperative federalism, the British devolution, the Spanish autonomous communities, the multinational Belgian State, the French territorial reforms, and so on.

What Can Be Done?

First, we must stop believing that much will be achieved through only incremental changes in the current dynamics. This is an urgent and risky situation, and it cannot be treated with soft solutions, or with “more of the same, only a bit better.” Institutional reform is not a technical challenge, but fundamentally a political one. Latin America has an excess of technical cooperation, and tremendous deficits of political cooperation, which is what it needs the most. Institutional reform is impossible without political leadership and renewed ethical inspiration.

The Washington Consensus tried to provide an assured route to development. Its application required only skilled and willing political operators; the fundamentals of the task were in the hands of technicians. After its failure, amidst the complexities of the global world, there are no longer any clear road maps. There are, however, guiding principles and values; but roads are made by walking. And this requires politics in its purest state, as well as men and women who are willing to move forward with collective lessons learned from inevitable conflicts and agreements. Europe can—and must—take the initiative along with Latin American countries to craft an ambitious and innovative plan for political cooperation. This Network on Governability for Development in Latin America, recently created with the support of the IDB, is a fitting tool for that precise purpose.

Second, Latin American countries need help in placing the reform of their formal and informal institutions at the core of their development agendas, with the aim of establishing a better balance between them. Several instruments can serve this purpose: setting up shared databases on governability and development; training politicians and public administrators in institutional reform; producing reports on the state of national and regional institutions; developing national governability profiles; supporting, and even demanding, the elaboration of national institutional development strategies that reflect the commitments achieved in promoting good governance; focusing multilateral and bilateral cooperation on strategic priority objectives; and supporting and strengthening relevant national capacities. To continue providing cooperation for institutional reform to countries that have neither institutional development capacities nor strategies is tantamount to providing fragmented and uncoordinated cooperation, which is part of the problem and not the solution. Europe must commit itself to the task of installing the national and local capacities that are capable of carrying out institutional reform.

Third, European cooperation should focus on the connection between strengthened democracy, on the one hand, and economic construction and integration, as well as socially inclusive markets, on the other. In order for democracy to advance, and in order to keep society from disintegrating, a multitude of formalized companies and productive jobs in all the countries of the region must be created. The future of Latin America depends on a far-reaching expansion of its productive capacities, and on the multiplication and transformation of the middle classes that such a process would entail. But this is impossible without harsh institutional reforms, which cannot occur without conflict. The worst possible scenario would be the continuation of the orchestrated confusion between the existing capitalism and the market economy. Institutional reform also depends on calling it by its name. Otherwise, well-intentioned actors will yet again be dazzled by unfounded alternatives that end up preventing them from recognizing and learning from their adversaries.

Europe should support quality evaluations of the existing business and production climate in the different countries and large metropolitan areas of the region, with the aim of finding the institutional gaps that need to be given priority by governments, companies, civil associations and trade unions. These assessments would reveal the inherent structural connection that exists between the creation of an institutional framework for efficient markets and the strengthening of democratic institutions. In short, *democratic governability, economic integration and social cohesion all form part of a single, integrated strategy for institutional reform.*

Fourth, Europe and Latin America must commit unequivocally to democratic governability and local and regional development. It is not a question of setting authority at the local level against authority at the State level, which has been weakened by global processes. The construction of national or multinational States is still an unavoidable priority for Latin American development, which Europe should recognize and support. Development can no longer ignore local and regional actors, but international economic insertion, the generation of environments that favor production and investment, and the protection of pluralism and cohesion cannot be achieved without

the States converting into the general managers of the interdependencies that are so characteristic of our time.

Decentralization is a universal movement that goes hand-in-hand with globalization and the reform that globalization imposes on the State. Europe should be more resolute in supporting Latin America in this process. Decentralized cooperation remains the fundamental instrument for this task, although it should be open to the regional and federal levels and try to incorporate the lessons learned. Europe should support, in particular, the creation of a Latin American Network of Local and Regional Authorities specifically devoted to promoting and sharing strategies for local governability and development, and to supporting local capacities for creating environments that are favorable for productive development.

Fifth, Europe must commit to supporting Latin America in the creation of global governability. The foundations of this governability include the application of international law; more effective regulation of world markets so that they better serve the people; and more democratic, responsible and efficient global institutions. The common goal must be to place globalization under multilateral governance, based on constitutional law. There should be a more balanced and fairer design of international relations, with its basis in the reformed and modernized United Nations system. Europe and Latin America must commit themselves to promoting the reform of the United Nations, to updating its charter so that it can respond to current challenges, and to reforming the Security Council to make it more representative and effective.

We propose, in conclusion, that this Third Summit of Latin America and Europe should measure up to the challenges faced by both regions, and to their respective responsibilities in building necessary global governability. This cooperation should focus on institutional reform or “overhaul,” concentrating on formal and especially informal institutions, since that is the matrix that explains the failures of democratization, the inefficiency of markets and economic integration, and the risks of social fragmentation and disintegration. But we insist that institutional change is, above all, a question of having the political leadership that is able to guide conflict and consensus, and for that reason, cooperation between Europe and Latin America should be primarily political. Finally, we consider that the construction of national and local governance cannot be achieved today without a firm commitment to the construction of global governability. The governability that development requires in this era demands reforms and capacity-building all along the global-local axis.

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CHAPTER 1

Governability for Development

Proposal for a Conceptual and Analytical Framework

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“Governability”: The Reasons behind Its Increasing Use

Governability seems to have become a major issue of our time. In 1975, Crozier, Huntington and Watanuki submitted a report to the Trilateral Commission on “the governability of democracies,” which raised considerable controversy. Its most important thesis was that in Western Europe, Japan and the United States, governability problems arose from the growing gap between fragmented and expanding social demands, on the one hand, and governments that were running out of the financial resources, authority, institutional frameworks and capacities required by the new type of collective action, on the other. To address the risks of ungovernability, changes were required not only in institutions and in governmental capacities, but also in the attitudes of citizens. To phrase it in more contemporary terms, in order to strengthen democratic governability it was necessary to reinvent not only the government but also citizenship. 1975 was the year in which the fiscal crisis of advanced democracies began, and with it, a calling into question of the welfare state, that is, of the successful governability model generated after the Second World War.

During the last quarter of a century, advanced Western democracies have undergone a drastic readjustment of their economies, their societies, their modes of private and public management, their mentalities and their power relations. All of these processes have led to the inadequacy of “government” or “governing,” and the need for “governance” in order to ensure the governability of democracies in our time.

The 1970s witnessed the so-called third wave of democratization, with the overthrow of the Salazar dictatorship in Portugal by a military coup. The wave began in the south of Europe in the mid-1970s, it reached the South American military regimes in

the late 1970s and early 1980s, and it arrived in East, Southeast, and South Asia during the second half of the 1980s. The end of the 1980s witnessed a boom in the transition of the old communist regimes of Eastern Europe, the former Soviet Union and Central America toward democracy. The wave reached Africa in the 1990s where, in February 1990, we witnessed the liberation of Nelson Mandela and the legalization of the African National Congress.

In this context, and particularly in Latin America, a new use has appeared for the word “governability”: it refers to making the transition toward democracy, and democracy itself, “governable” in order to prevent a return to authoritarianism, and also to advance and consolidate democracy, improving its economic, social and democratic performance. Concern over governability underlies the entire spectrum of political practices and political thought on the transition toward democracy in Latin America. Strategies for this transition, and the very definition of democracy that was finally adopted, were conditioned by an awareness of the power relations between strategic actors. The prevailing attitudes of moderation and caution led analysts to set aside any possible definition which could identify democracy with substantial social and economic results—they largely adopted a different definition, which identifies democracy with procedures to resolve political problems. Dahl’s definition of polyarchy (1971) thus became a focal point for debate.

During the 1990s, the position maintained by development agencies on the political neutrality of cooperation began to fade. Increasingly, although not without difficulty, democratization became a legitimate objective of cooperation. Multilateral and bilateral agencies began establishing assistance or cooperative programs for democratization (Carothers, 1999; Santiso, 2001).

The notion of democratic governability was largely originated in and for Latin American democratization processes, even though it can be applied more universally. In addition, Latin American democratization is taking place at a time when the technoeconomic environment and paradigms are shifting, the model of development through import substitution is being exhausted, and the debt burden of States leaves them with negligible capacity for fiscal maneuverability, all while they are facing growing social challenges and scarce institutional capacity. The intensity of these challenges has led to the demise of autocratic regimes—a process that was fueled during the 1990s by the end of the Cold War. The “old democracies” of Latin America are experiencing serious difficulties and neo-authoritarian regressions, and new democracies are undergoing serious consolidation problems. In this sense practically the entire region is dealing with not only the transition toward democracy, but also the problem of democratic governability.

Nonetheless, we lack a conceptual and analytical framework that allows us to address the subject of democratic governability with some degree of accuracy. In practical terms, when it comes to defining what must be done for a democracy to be governable, proposals are so numerous and so diverse that governability appears to be a new branch of the social sciences. After initial misgivings about the term, and from a certain point in time on, everything fits under the notion of “governability”: ensuring parliamentary majorities for presidents, building consensus and coalitions, strength-

ening the electoral and political party systems, securing the State's financial adequacy, reordering its relations with decentralized powers, reforming the police and army, introducing new public management, strengthening the judiciary and the rule of law, preserving human rights, preventing and managing conflicts and disasters, providing public goods, developing citizenship, etc. Governability has even ceased to have an exclusively political dimension, and now we refer to economic, social, environmental, educational or urban governability, to name a few variants.

Initially the concept of governability was merely political: it was very simple and limited in nature, and focused on the articulation of the relations between the president and the legislature which would not impede decision-making and threaten the democratization process (one should keep in mind the debate between presidentialism and parliamentarism as formulated in terms of governability). We are presently witnessing such overuse of the term that defining the concept is difficult.

The reason for this success, which now transcends the Latin American realm, might be that the major changes that have taken place in the world over the last 25 years pose issues that can no longer be classified under the categories of better government, administration or public management. What is at stake in many countries (and in many social systems) is not good government, but governability itself. The risk is no longer one of bad government but one of ungovernability, and the threat of social anomy and disintegration it entails. The specter of ungovernability evokes not only authoritarian regression and the loss of efficacy and efficiency, but ultimately the natural state as described in Hobbes' 1651 *Leviathan*, in which human life, lacking a State capable of preserving order, becomes "solitary, poor, brutish, and short."

Problems with governability no longer exist solely at the national scale: today they are challenges of an international nature, posed by the challenging transition toward a society based on global information. The construction of an economy which can function in real time and on a global scale thanks to new technologies, but which leaves broad marginalized territories and deepens inequalities, will necessarily be problematic. While the economy is becoming globalized, there is no equivalent tendency in politics. The world situation globe at the beginning of the new millennium is determined by the opposition between economic globalization and political division (Hobsbawm, 1998: p. 3).

After the fall of communism it seemed, for a moment, that global governability would be easier owing to the apparently uncontainable advance of liberal democracy. We are nevertheless facing a very unstable situation for the following reasons. first, the majority of nominally democratic States still lack the economic, social and institutional foundations and the civil and political culture required today to consolidate democracies that are capable of bringing about development. Second, the inability of many States to generate development in the new techno/global paradigm results in a serious loss of legitimacy which translates into lack of government, internal fractionalization and conflicts, authoritarian regression, fundamentalism, criminal economies and corruption, violence, insecurity and threats to liberty, antihegemonic resentment, low-intensity wars and terrorism, etc. Finally, the hegemonic powers of globalization do not seem willing to assume the costs borne by the countries with less capacity to

adapt to new development requirements. This results in restricting so-called global public goods to safeguard the conditions for efficient free trade, without including decisive issues related to sustainable development, to the radical reduction of poverty and inequalities, to human rights or building quality democracies.

To paraphrase Hobsbawm (1998: p. 12) the failures of this century have been so evident, especially in the political and social spheres, that one loses faith in the ability of humans to solve their own problems. The folly of neoliberal ideology and the abandonment of the mission to change the world by the majority of current leftist governments both strike me as symptoms of striking intellectual pessimism. This abdication in the face of the problems of the 21st century is extremely dangerous. The problems are manageable but they cannot be solved without conscious and collective human action. The most urgent task in the millennium is for men and women to return to the great projects of building a better society, one that is more just and viable. If we do not have faith that we are engaged in great, collective tasks, we do not gain anything. And there is room for hope.

Twenty-five years after Crozier, Huntington and Watanuki's report on the ungovernability of democracies, Pharr and Putnam published in 2000, also under the sponsorship of the Trilateral Commission, *Disaffected Democracies: What's Troubling the Trilateral Countries?* Whereas in the 1975 report the independent variable comprised socioeconomic changes that posed problems for democratic governability (a dependent variable), the independent variable and the issue addressed in the 2000 report is the decline in general trust toward institutions and political leadership. Even though commitment to democratic values is stronger than ever, it is empirically observed that trust in institutions and in democratic leadership has decreased over these 25 years. Except for the cases of the Netherlands and, in part, Norway, satisfaction and trust in political parties, the legislature, public administration and the political class in general have decreased markedly.

This sometimes translates into important claims for political and electoral reforms, for the reconstruction of citizenship and of the democratic space, and for opening new channels for political participation. But overall, there is a growing separation between citizenship and political life. Three independent variables have been identified to attempt to explain this phenomenon: the information that is available to citizens; citizens' evaluation criteria; and the performance of democratic institutions. The conclusion drawn by the Pharr and Putnam report is striking: the causes of the loss of trust in democratic institutions are not to be found in socioeconomic factors, but in politics themselves.

We are doubtlessly facing a situation that could be described as follows: Citizens believe in democracy more than ever, but they do not believe that democracy, as it has taken shape in the existing institutions and leadership, is capable of addressing the challenges of a new historic era characterized by the transition toward the global, information- and knowledge-based society. We are not facing a crisis of democratic values, which are stronger and more universal than ever before, but we surely do face a crisis in terms of the forms and capacities of the institutions that have embodied these values in industrial societies. In sum, we are witnessing a crisis of politics

that demands the introduction of political reform into the agenda for governability of our day.

From Conceptual Overflow to Confusion: Governability and Governance

In general terms, the development community has not used the term “governability” but rather “governance” (which is sometimes improperly and even consciously translated into Spanish as “governability”—*gobernabilidad*). Our position is that governability and governance are two interrelated concepts that should nevertheless be separated for analytical purposes.

What is the source of the success of the concept of “governance” in both academia and the development community, and in current political-administrative rhetoric? Its use is recent—it corresponds to the 1990s, and especially to the second half of the decade. Between the 1950s and 1970s the development community devoted itself to administrative reform from a perspective of instrumental rationality and political neutrality. During the 1980s the public policy perspective was introduced, and a shift from public administration to public “management” was theorized, while maintaining the instrumental rationality and political neutrality of the preceding stage. The policies that were summarized in the so-called Washington Consensus and the associated programs for integral reform of the public sector (“public sector management reform”) were in response to this same logic. During the first part of the 1990s, the term “governance” was confused with public management, and cooperation with governance tended to be seen as the provision of “new instrumental rationalities” which aimed to improve the efficacy and efficiency of governmental organizations.

But as the 1990s advanced, governance took on a completely different meaning. Marc Mallow Brown expressed it clearly in the United Nations Development Programme’s (UNDP’s) 1999 *Human Development Report*: neither the markets, nor politics, nor society can function without institutions and rules, and these rules do not refer only to governmental institutions, because they frame and interlink an interdependent series of actors that comprise governments, actors from civil society and the private sector, at the local, national and international levels. “The challenge of globalization . . . is not to stop the expansion of the global markets. The challenge is to find the rules and institutions for stronger governance—local, national, regional and global—to preserve the advantages of global markets and competition, but also to provide enough space for human, community and environmental resources to ensure that globalization works for people—not just for profits” (UNDP, 1999: p. 2). In this context, “governance” now means the “framework of rules, institutions and established practices that set the limits and give incentives for the behavior of individuals, organizations and firms” (UNDP, 1999: p. 8).

This definition of “governance”—understood as the institutions and rules that establish limits and give incentives for the creation and function of interdependent

networks of actors (governmental and from the private sector and civil society)—together with the acceptance of its importance for development, was caused by several factors:

- *The formulation of a theory of governance to explain the governability of the European Union, understood as a structure for the adoption of decisions through networks of governmental and non-governmental actors at multiple levels (Mayntz, 2000).*
- *The recognition, within political science spheres most closely related to development work, of the need for better analytical frameworks which could be capable of linking political regimes to development.*

From a political science perspective, Hyden has developed a notion of governance based on the “regime” concept, a convention used to designate “the explicit and implicit norms that define who the relevant political actors are, and through which channels and with what resources they position themselves actively and politically” (definition taken from Guillermo O’Donnell). A regime is not a set of political actors, but rather a set of fundamental rules for the organization of the public space. This notion of the public space encompasses both the State and civil society, and it draws the dividing line between public and private realms.

From this basis, Hyden has developed the notion of governance as the conscious management of the regime’s structures, with the aim of strengthening the legitimacy of the public space. Using this definition, “regime” and “governance structure” have the same meaning, and the structures are based upon rules. Legitimacy is the dependent variable produced by effective governance. Governance and public policies are conceptually distinct entities, even though in practice they affect each other. Governance refers to “metapolitics” and relates to the institutional structure of political actions of both the government and civil society actors. A governance-type approach must explore the creative potential of these actors, and especially the ability of leaders to overcome the existing structures, to change the rules of the game, and to inspire others to commit to advancing society along new and productive paths. Governance relates to the institutionalization of the normative values that can motivate and provide cohesion to the members of a society. This implies that it is unlikely for a strong State to emerge in the absence of a vibrant civil society.

In this sense, “governance” has two dimensions: (a) a structural dimension, which refers to the institutional arrangements in place in a given society, and (b) a dynamic or process dimension, which refers to the actions of actors that may affect the structural dimension. This allows us to place the focus on governance from both an analytical and a normative perspective. From the analytical standpoint, governance presupposes a conceptual framework for understanding society’s institutional arrangements and their management by the relevant actors; from the normative standpoint, governance engages the moral leadership of actors in order to improve the existing institutional structures, so as to increase their capacity to solve the problems of collective action (Prats, 1996).

- *The recognition, from the perspective of public management theory, that in societies with high complexity, diversity, dynamism and interdependence, the effectiveness and efficiency of management no longer depend solely on the actions of government or governing, but on the capacity to create and manage networks of actors. Governability relies on the quality of these networks.*

According to Metcalfe, public management must be understood as management at the “macro” level, which relates to structural changes at the level of multi-organizational relations, whereas private management works at the “micro” level, focusing on specific organizations. Problems often arise when reformers attempt to implement management techniques taken from the “micro” level at a multi-organizational level, “where neither consensus about the pursued objectives nor management by authority decisions can be assumed.” Public management refers to change, not at the organizational or micro level—which is the objective of public and private sector management—but at a macro or structural level, understood as the guide of the transition toward a new institutional framework. Metcalfe finds that the difference between the two levels of management is similar to the difference between the rules of the game and the strategies of actors. It is obvious that a change in the game’s rules (i.e., in governance or the institutional structure) is different from changes in the strategies of individual actors.

Kooiman has developed an interesting conceptual distinction between “governing,” “governance” and “governability,” which he regards as the foundations of a sociopolitical theory of “governance” *in statu nascenti*. His starting point is that, as a consequence of the complexity, diversity and dynamism of modern societies, “governing” efforts are, by definition, processes of interaction between public actors and relevant interest groups or individuals. Governing, in Kooiman’s view, is the equivalent of Metcalfe’s notion of public management at the macro level. It essentially consists of coordinating, guiding, influencing and balancing the interaction between political and social actors. Kooiman proposes that governing may be seen as (goal-oriented) interventions by political and social actors that aim to create a more or less stable and predictable pattern of interaction within a sociopolitical system. This system will be possible to the degree that it matches the desires or objectives of the intervening actors.

The concept of governing is strongly linked to that of governance. Governance may be defined as the pattern or structure which emerges in a sociopolitical system as the combined result of attempts at interaction made by all intervening actors. This emerging pattern establishes the rules of the game within a specific system, or in other words, it is the medium through which actors can act and attempt to use these rules in accordance with their own interests and objectives. The governance concept is basically an analytical and descriptive tool. But insofar as a pattern of governance can be viewed as the result of interventions by actors, it also has a normative dimension. One might ask which pattern of interaction is desirable (for example, in terms of providing incentives for development), which actors should play a part in institutional reform, and which constraints should be taken into account.

Governability is understood by Kooiman as the aggregate capacity of a socio-political system to govern itself within the context of broader systems. This quality depends on the effective and legitimate arrangement between governing needs and capacities. This notion of governability does not envision need as something that concerns society and capacity as something that concerns the government. In modern, interdependent societies, needs and capacities should also be seen as interdependent, and therefore as both political and social, public and private, concerning the State and society at the same time. A system's capacity to govern is clearly connected to its processes of governance and governing. Without an effective and legitimate arrangement between needs and capacities, no governability is possible. But this arrangement depends on the governance structure and on the governing actors. Needs and capacities are socially constructed, and the final result depends on the institutional or social structure and that of the actors (Prats, 1996).

- *The increasing recognition of the importance of institutions for development from diverse and even opposing academic approaches.*

There is growing consensus on the fundamental correlation between institutions and development, to be found in North's neo-institutionalist economic history, Mancur Olson's "radical choice" neo-institutionalism, and Amartya Sen's non-institutionalist perspective, as well as in a broad range of empirical studies in this field.

To paraphrase Sen (1999a): Individuals live and operate in a world of institutions, of which they are not always aware; today, many of these institutions transcend national borders. Our opportunities and prospects depend to a large extent on what institutions exist and how they function. Institutions not only contribute to our freedoms, but they must be evaluated in light of their contribution to our freedoms. This is what is required when viewing human development as freedom.

The growing use of the term "governance" as distinct from "governability" has led the Spanish Royal Academy and the European Union to suggest its translation as *gobernanza*, a medieval gallicism which has fallen into disuse. Whatever the fate of this proposed translation (it must not be forgotten that we are dealing with open and evolutionary concepts, regardless of their utility), it is meant to indicate the conceptual difference between "governance" and "governability," in spite of recognized semantic imprecision.

In a recent essay, Renate Mayntz (2000) states that the term "governance" itself is undergoing an interesting semantic evolution: initially, "governance" was used as a synonym for "governing," or the process of government through ruling organizations. But—she warns—the term's semantic field has been broadened with two new meanings: First, the term "governance" is used today to indicate a new style of government that is different from the hierarchical control model; it is marked by greater cooperation and interaction between State and non-State actors in mixed decision-making

networks that span public and private realms. In the second instance, “governance” is used to indicate something much broader: different forms of social coordination were discovered, initially in the field of transaction-costs economics, but later, and more generally, these were the means of coordinating not only hierarchies but also the markets. Thus recourse was made to the term “governance” to designate all forms of coordination of the actions of individuals and organizations, understood as primary forms of construction of the social order. This second meaning broadens the semantic field to such a degree that “governance” loses its basis in political theory to become a general theory of social dynamics.

A Conceptual Framework for Governability

We hold that governability is a quality that should be ascribed to societies or social systems, and not to their governments. We speak of the governability of a country or a city, not of their governments, although the properties and qualities of governments are obviously a very important factor for governability.

A social system is governable when it is socially and politically structured so that all strategic actors interrelate to adopt collective decisions and resolve their conflicts in accordance with a system of formal or informal rules and procedures—which can represent different levels of institutionalization—and within which they formulate their expectations and strategies. This initial characterization of governability, inspired by the approach of Coppedge (1996), is valid as a starting point, but its final characterization is significantly different and relevant for development purposes.

Crafting a more elaborate formulation of this concept requires (a) developing the concept of “strategic actor,” (b) developing the notion of rules and procedures for the exercise of authority, (c) considering whether public order should be included as an element of governability, and (d) considering whether the concept of governability is merely a positive concept, or whether it can also be approached from a normative perspective.

Let us begin with the concept of “strategic actor.” This term designates every individual, organization or group which has enough power to prevent or disrupt the execution of rules or procedures for decision-making and collective conflict resolution.

Without sufficient power to undermine governability, there are no strategic actors. Power may ensue from control over specific public posts or functions (army, legislature, presidency, economic and financial policy, judiciary, key territorial or municipal governments, etc.), from control over production factors (capital, work, raw materials, technology), from control over information and ideas (mainly the social communications media), from the possibility to bring about destabilizing social mobilization (activist groups), or from moral authority (churches). Any group that controls one or more of these resources is, potentially, a strategic actor. But its power also depends on the solidity of the group, that is to say, the degree to which the individual members or subgroups that compose it behave as a solid unit.

Solidity depends on the group's organization, unity and objectives. Organization matters because latent groups have little power, whereas small groups that can make and pursue concerted demands are in a position to exert a degree of power which is not proportional to their resources. Unity matters because a group that works for a common objective is more powerful than a divided group working for opposing objectives. Finally, the effective exercise of power depends on the degree to which the group has a clearly stated objective, given that even well-organized, funded and united groups have little power if they lack a "project" to promote (Coppedge, 1996).

Any analysis of governability must begin by establishing the map of strategic actors. For this purpose, it is necessary to transcend simplified descriptions of relationships such as "State–private sector–civil society," in order to try to grasp the complexity and diversity of social actors, their expectations and conflicts, the rules for interaction which have been explicitly or implicitly adopted, and the adequacy of it all to the challenges posed by the sociopolitical system. Analysis should start by identifying the strategic actors (domestic or international) at a given historical moment, the power resources they control, their internal solidity, their expectations, their mental maps, their capacity to represent or to gather together the interests that they represent or express, and the types of strategic alliances and conflicts (domestic or international) in which they are involved.

It is necessary to develop the concept of "rules and procedures" through which authoritative decisions are adopted and through which strategic actors resolve their conflicts. Coppedge labels these rules and procedures "formulas." In fact, these rules, procedures or formulas, whether formal or informal, constitute a country's true political regime.

Rules and procedures are fundamental because they define how decisions of authority are to be made and implemented. In so doing, they determine who the strategic actors are, how it is possible to enter this category within the established system of governability, which symmetric or asymmetric power relations take place between actors, how their conflicts are resolved, and how to protect each of the benefits gained within a "distributive coalition."

These rules and procedures determine the type of relations established between the political powers, on the one hand, and the social and economic sphere, on the other. They can be more or less institutionalized, meaning the degree to which their fulfillment is, more or less, the product of compliance with personal will, or with certain abstract rules or procedures which are accepted regardless of individuals. Institutionalization understood in this way is what Rousseau called the "civilizing leap," or the passage from the rule of individuals to the rule of law. The minimum degree of institutionalization would be represented by the subordination of all strategic actors—who are unable to provide themselves even minimal order for contractual or legal interactions—to an autocrat who guarantees social order and peace by using discretionary will. The degree of governability will be directly proportional to the duration of rules and procedures, which is to say, to their institutionalization. Whenever governability is secured by caudillismo which neglects the formation of lasting institutions that can make that leader dispensable, we will be faced with defective, sporadic and unsustain-

able governability, regardless of whether the leader gained power through elections or by force. Napoleon recognized this elemental truth when he said, “Men cannot determine history, only institutions can.”

The greater the level of conflict that strategic actors are able to peacefully contain and process, the greater the durability of the rules and procedures of governability. In reality, governability crises only occur when conflicts between traditional actors over their relative power, or conflicts with new emerging actors, call into question not only a specific rule, procedure or formula, but the very institutional matrix that expressed the stability or balance of the sociopolitical system. There are many conflicts which, far from setting off a governability crisis, contribute—through their peaceful resolution—to the adaptability and strength of the existing governability formulas. In this sense, we could say that “adaptive efficiency” characterizes the mechanisms that enable the recognition and positive resolution of conflicts through adaptation of the existing formulas to new balances between strategic actors.

In societies that are dynamic, complex, diverse and—like it or not—impacted by internationalization, strategic actors continuously face opportunities and hazards that can increase or diminish their relative power. In addition, many interest groups struggle to hold on to, or acquire, their positions as strategic actors. Each technological, economic, social or contextual change generates a whole new scenario of hazards and opportunities for the entire group of strategic actors.

The opening of the privatization process provides an excellent opportunity for certain local economic and political elites with transnational assets, but it is a threat for labor unions for which patrimony of business is among their most important sources of power. When the armed forces lose control of business sectors that they still control in Latin American countries, it provides an opportunity for the private business sector. The intent to create a merit-based civil service will be seen as an opportunity for professional civil servants and for qualified candidates, but will be a threat for political parties for which patrimony of the civil service is a source of power. International guarantees of human rights represent a loss of power by traditionally repressive organizations, but provide the opportunity for groups that are traditionally repressed and excluded to become strategic actors.

Conflict between actors is assumed as fundamental to the concept of governability, without which it would not be possible to interpret the dynamics of the rules, procedures or formulas—that is, governance—required to secure governability at a given moment and within a given sociopolitical system. Where there is greater efficiency in adapting these formulas, there is a higher degree of conflict processing, better collective learning, incremental development of new formulas and, as a result, better quality of existing governability.

Finally, we must consider whether governability requires only that the powerful accept rules and procedures, or whether it additionally demands a minimal and generalized degree of compliance—achieved either willingly or by force—with the authority's decisions by nonstrategic actors and by the people in general. In more traditional wording, it is about knowing whether governability requires general public order. This issue is important in some Latin American national and urban contexts, in which strategic

actors have managed to solve their conflicts through elections (with varying degrees of international supervision) and to establish an imperfect system of checks and balances (with strong informal traits) in their interrelations, but without generating universal order for their interactions. Large pockets of informality or exclusion exist on the margins of the order generated by and for strategic actors. Society's *horror vacui* leads to the development of informal structures within these institutional gaps, which can eventually become part of the culture and institutionalized, and which coexist in general terms with strong doses of anomy, social disintegration, poverty, subsistence economies and criminal activity. The current debate turns on the issue of whether social disintegration, with all its serious consequences, signifies ungovernability; that is, powerful actors are able to prevent the emergence of new actors who, in turn, cause conflicts that cannot be resolved by existing rules and procedures.

Governability for What? The Problematic Relations between Governability and Development

If governability is compatible with dictatorships, fierce repression, caudillos that abort institutional development, fundamentalism, distributive coalitions that block reform processes, famine, environmental destruction, and so on, then what is the use of this notion of governability, and whose interests does it serve? If governability were an end in itself, we would have to measure it and rank countries according to their political regimes' capacity to integrate strategic actors and ensure the effective exercise of authority. Governability would thus coincide with the existing level of "law and order," regardless of the nature and quality of the law and of the social and economic consequences of the type of order in force. If governability were formulated as a sociopolitical institution and evaluated exclusively in terms of its ability to bring about stability, it would be irrelevant for the purposes of development. Using this definition, it would not be possible to argue that the governability of a fundamentalist dictatorship is inferior to the governability of, for example, the Netherlands.

The approach to governability inevitably changes once it is recognized that there are certain types of governability that are capable of producing development and others that are not. If, using a normative approach, governability must be evaluated in terms of its capacity to produce development or well-being for the people, it turns out that

- Even though development requires governability, not all forms of governability are capable of producing development; it is necessary to specify which forms of governability are capable of generating development and which are not.
- The same ambivalence may be perceived between governability and antisystemic conflict. Governability that does not produce development is compatible only with conflicts that can be resolved within the framework of its own rules and procedures. Whenever an old dissident or an emerging new actor gains enough power resources

to propose a radical change in the existing governability's institutional framework (thus altering the balances of power and the interests represented in decision-making processes), the conflict becomes incompatible with the existing governability. But it can—although it will not necessarily—generate a new type of governability which can better advance development. In these cases, the logic of development cooperation demands respectful recognition of the conflict and support for its positive resolution. Analysis and support of the positive outcome of the conflict thus become key issues for cooperation with governability and development.

The fact that human development implies—as we shall explore later—democracy and democratic governability does not mean that all types of democratic governability produce human development. In reality, democracy and autocracy are political categories which have not been constructed to designate different development potentials. But the debate has arisen, and it is still alive and largely ongoing. The position given here is that we cannot speak of human development—for reasons explained later—without a struggle for, or progress in, democracy and its governability. But if we adopt a less demanding notion of development and we visualize it as growth, and even as social and economic development, then we will have to recognize that, as pointed out by historical-empirical studies, such development does not depend on the democratic or autocratic nature of political regimes, but rather on the form or type of governability.

Mancur Olson, and neo-institutionalism in general, have made major advances in identifying the institutional features that enable autocracies and democracies to develop public policies and private behaviors that generate growth. This occurs when strategic actors, whether democratic or autocratic, agree upon a lasting institutional framework which—through the checks and balances that provide legal security—defines and effectively protects property rights, economic freedom and guaranteed contract compliance for the entire population. Based on this framework, the political system will protect the economic autonomy and freedom of the private sector as well as the sort of public sector organization and action that respect and protect this autonomy and freedom. Over the long term, this institutional system will produce sustained growth, benefiting the population as a whole. Therefore the key for the production of growth lies not in the nature of the political regime, but in the institutional foundation, and more specifically in existing economic institutions and in the political authority's safeguards for economic autonomy. Consequently, it is not enough to have an autocracy to bring about development; nor is it enough to hold elections so that democracy can bring about growth. The key is to create the political and economic institutions required for *quality* growth. Although we know very well which institutions these are, we know a lot less about how to construct them.

Pure and solid governability—that visualized as a product of the political regime and not as an attribute of development—is a synonym for political stability. This is compatible with conflict, insofar as it is the type of conflict that can be resolved within the rules and procedures agreed on and complied with by strategic actors. In highly stable and isolated contexts, the actors, rules and procedures will tend to be rigid. The emergence of new actors will become more difficult, and interests and points of

view that cannot be assimilated by the established strategic actors will tend to be negated.

Autocracies and partocracies with a low capacity to combine interests and points of view suffer from this institutional rigidity. They are capable of processing conflicts between strategic actors only when they do not call the rules of the game into question. The price to be paid is the marginalization or exclusion of many interests and perspectives that exist within the social body, which, in turn, will be exposed to a high risk of disintegration. Citizens will necessarily grow resentful toward the physical and moral coercion that will be applied to secure public order, and that will, nonetheless, always be at risk. This flawed governability will nevertheless be maintained insofar as excluded or marginalized interests do not see—through intuitive cost-benefit analyses—their opportunities to invest in the new generation of actors who can propose the rules and procedures for accessing and exercising power through conflict—labeled as “antisystemic” by the established actors.

In more complex, dynamic and interdependent settings, such as the current ones, the rules and procedures for securing governability must have sufficient flexibility to accommodate new actors and to re-accommodate the pre-existing strategic actors. When the rules and procedures shelter “distributive coalitions,” which are reluctant to incorporate new actors, interests and points of view, and if conditions exist for new actors to enter the political arena, conflict becomes inevitable and political stability is affected. This is not good or bad in itself: conflict can be resolved positively through new rules of the game that encourage development by introducing the necessary institutional changes, or negatively, through the extension of the distributive coalition to the new actors, without changing the institutionalism (patrimonial, populist, clientelistic, caudillist, mercantilist, corporatist, etc.) that blocks development. Latin America has examples of all of the above.

Thus understood, governability crises can emerge as a result of the following:

- The inability of the existing rules and procedures to solve problems of interaction (collective action) among powerful actors, especially when the balance of power changes and pre-existing rules are no longer valid.
- Weak or inadequate institutionalization of the rules and procedures. This occurs in political regimes whose rules entail the risk of ungovernability because, in view of the historically constructed sociopolitical configuration, they impede the formation of the coalitions which are necessary to govern effectively.
- The emergence of new strategic actors who demand a radical change of the formulas.
- The strategic shift of powerful actors who propose previously accepted formulas.
- The inability of strategic actors to preserve basic levels of law and order.

If governability is not an end in itself, but a necessary condition which is insufficient for the production of development, then we can espouse a normative notion of governability, which is fit not only for policy evaluation but also for policy guidance. Indeed, research on governability must focus on the rules and procedures—that is, the

formal and informal institutional framework—to determine to what degree they can produce development. Institutional analysis, and its insistence on linking economic and political institutions within a unified analytical matrix, can be very useful in this regard. This is shown, for example, in the IDB's (2000) *Development beyond Economics*, which emphasizes the importance of institutions—particularly political ones—for economic and social development:

According to the econometric analyses presented in this report, more than half the difference in income levels between the developed and Latin American countries is associated with deficiencies in the institutions of the latter. To one degree or another, all of the Latin American countries have problems with the rule of law, corruption and the ineffectiveness of governments in providing essential public services. These three problems with Latin America's institutions are serious even in comparison with other developing regions. . . . The association between the quality of institutions and economic, human and social development is particularly close, partly because the institutions are themselves influenced by the development process. . . . Government institutions are by their nature the expression of the political forces through which societies address their collective problems. Thus, the quality of institutions is inevitably influenced by the rules and practices of the political game. Yet the relationships between politics and the quality of institutions have been studied very little, even by international organizations for which these relationships have important implications. (IDB, 2000: pp. viii, ix)

What Are Institutions, and Why Are They Important? Institutions, Social Conflict and Development

One of the most interesting conclusions of economic neo-institutionalism is that politics and the economy are inextricably linked, and that we cannot explain the economic performance of a given society without considering that relationship.

—Douglass C. North

What Development? Human Development Requires Democratic Governability

Since its beginnings in the 1940s, development economics has dealt with material wealth and how to expand the volume of the goods and services produced. It was assumed, explicitly or implicitly, that an increase in per capita gross national product would reduce poverty and raise the population's general level of well-being. This supposition had its roots in the utilitarian notion that increased production implied increased income, which in turn increased economic benefits and well-being for the individual and society. In reality, the connection between increased national product and the reduction of poverty was regarded as being so strong that it was thought that

it was enough to focus on growth to attain the economic and social goal of development. Growth became not only the means but also the end in achieving the goal of development. There was, of course, debate around this issue, but it turned on how to accelerate growth, and—to a lesser degree—how to distribute the goods or products of growth more equitably.

The human development approach which emerged by the end of the 1980s represented a radical change in this regard. Utilitarian assumptions that were centered on the production of goods began to be abandoned to view development—following Sen's lead—as a process to expand people's "capability" to choose the lifestyle valued by individuals.

Referring to the prevailing utilitarian notion, Sen holds that the concept of "utility" is not appropriate when it comes to dealing with welfare, since it does not value all the dimensions of styles of life. Sen's proposition is to redefine welfare as an individual's capability to choose the way of life that he or she desires. And he suggests measuring it in terms of the entire set of opportunities for choice, that is, the freedom actually available to that person. Starting from this idea, Sen advances a new way of viewing social justice, of evaluating institutions and dealing with development.

In order to analyze institutions and social policies in their relation to development, it is necessary to evaluate their effects in the space of freedom of individuals, not only their utility. This analytical framework is richer than the utilitarian one, because it enables us to consider key social aspects such as equality, and to give greater emphasis to the problems of wealth distribution. It is evident that the members of a society which provides rights of access to social resources—health, education, etc.—or in which the most basic structures of universal access to property exist shall have a higher number of opportunities at their disposal, and they will therefore experience expanded space of freedom. Distributive matters are better understood from this perspective. Distribution can be viewed as the equitable distribution of opportunities and rights, and not only as the more limited sense of wealth, understood as monetary income.

Specifying a "horizon of welfare freedoms" (i.e., the real opportunities provided by a society to choose a given way of life) can establish precise objectives for the reform of social institutions. Development, understood as an expansion of freedom, leads us to an integral or holistic perspective by which different dimensions of development (economic, social, political, legal, environmental, gender, cultural, etc.) must be considered not only in their entirety, but also in their interrelations and reciprocal influence. Development requires the elimination of the main sources of loss of freedom: violent wars and conflicts, poverty and tyranny, criminality, terrorism, lack of economic opportunity, systematic social deprivation, and neglected public services, among others. The problem of development is a problem of denial of freedoms; in certain cases this may arise from poverty, from the absence of basic services, from the denial of political freedom or from restrictions placed on effective participation in the social, political and economic life of the community.

In human development theory, freedom is not only the criterion used to evaluate institutions, but it is also the instrument for their improvement, which depends on free human choice. Freedoms are not just the main goal of development, but they are

also among its basic processes. There is a significant empirical relationship among different types of freedoms: political freedoms (in the form of freedom of expression and free elections) contribute to promote economic security; social opportunities (in the form of educational and health services) facilitate economic participation; and economic services (in the form of opportunities to participate in trade and production) can contribute to the overall generation of personal wealth, as well as public resources to finance social services.

In this way, political freedoms understood in a broad sense (including human rights) are fundamental to the notion of development, at the same time that they are the instruments for its achievement. As pointed out by Sen, those freedoms express the opportunities that individuals have to decide who should govern them and under which principles, and they also provide the possibility of investigating and criticizing authorities, freedom of political expression and uncensored freedom of the press, the liberty to choose among different political parties, and so on. They include the political rights associated with democracy in the broadest sense of the term (that is, the possibility of dialogue, dissent and criticism in the political arena, as well as the right to vote and to participate in the selection of the legislature and executive authorities) (Sen, 1999a: pp. 57–58).

Sen regards democracy not only as the fundamental and instrumental value of human development, but also as a universal value (Sen, 1999b). But the notion of democracy advanced from the field of human development is quite demanding: “We must not identify democracy with majority rule. Democracy has complex demands, which certainly include voting and respect for election results, but it also requires the protection of liberties and freedoms, respect for legal entitlements, and the guaranteeing of free discussion and uncensored distribution of news and fair comment. Even elections can be deeply defective if they occur without giving the different sides an adequate opportunity to present their respective cases, or without giving the electorate the freedom to obtain news and to consider the views of the competing protagonists. Democracy is a demanding system, and not just a mechanical condition (like majority rule) taken in isolation” (Sen, 1999b). Democratic requirements do not cease with formal institutionality; they also express the need to develop practices that are inspired by values that contribute to sustaining and perfecting the formal institutional framework.

Sen identifies three ways in which democracy contributes to improving people’s lives and freedom, that is, to human development. First, the protection of political freedom, or the effective exercise of civil and political rights, has intrinsic value for people’s life and well-being. Restrictions to participation in political life are tantamount to deprivation of freedom and of human development, and they should be borne in mind while measuring human development. Second, democracy has an important instrumental value for drawing political attention to people’s demands (including their economic needs). Third, the practice of democracy gives citizens the opportunity to learn from each other, and it helps society to shape its values and priorities. Even the idea of “needs,” including economic ones, requires public discussion and exchange of information, points of view and analysis. In this sense, democracy has a “constructive”

importance, in addition to its intrinsic value for citizens' lives and instrumental importance for political decisions.

The Difficulties of Democratic Governability for Development in Latin America

Governability will only become democratic when the rules or formulas that guide strategic actors' decision-making and conflict resolution processes can be regarded as characteristic of democratic regimes—which poses a complex conceptual problem. Collier and Levitsky (1997) identified more than 550 subtypes of democracy after a review of 150 recent articles. Many follow a minimalist concept of democracy that we could label “electoral democracy,” derived from Shumpeter's definition of democracy as “that institutional arrangement for arriving at political decisions in which individuals acquire the power to decide by means of a competitive struggle for the people's vote.” Although this minimalist approach offers interesting measurement advantages, it ignores the degree to which multiparty elections can conceal the discrimination or lack of participation of significant sectors of the population in the electoral competition or in the defense of their interests: the dominance of actors with sources of power who are not accountable to the elected authorities, or simply the continuous violation of basic human rights.

The positive concept of “polyarchy” crafted by Robert Dahl enjoys a large measure of general acceptance. According to this notion, for democracy to be effective it must satisfy, in a general (although not complete) manner, the following standards:

- effective participation;
- voting equality;
- the possibility of informed understanding;
- the exercise of final control over the political agenda;
- the inclusion of adults.

In turn, the satisfaction of these standards requires a political institutional system with the following features:

- It is the responsibility of elected representatives.
- It pledges free, clean and frequent elections.
- It guarantees freedom of expression.
- It provides alternative sources of information.
- It allows associative freedom and autonomy.
- It includes all adults as citizens.

For Dahl, all of these standards and institutional requirements are necessary because without them, “political equality” is impossible—that is to say, the ability of citizens

to have equal influence on State policies, which is the basis of democracy (Dahl, 1998).

If, following the majority trend, we were to understand democracy as polyarchy, we would have to acknowledge that almost all of the political regimes currently in force in Latin America deserve to be characterized as democratic. But this would be of little use to understanding the specific democratic “governability” which is in force in each country. And it would tell us very little about the relationship between the existing democracy and development in a country. Indeed, the formulas, rules or procedures used by strategic actors to adopt decisions and resolve conflict respond only in part to democratic institutional formality.

Latin American democracies are determined to a large extent by an informal institutionality—popularly referred to as patrimonialism, clientelism, or sinecurism, among many descriptions—which must be considered in order to grasp the true nature of the current political regime. Guillermo O'Donnell gave an early warning of this phenomenon when labeling Latin American democracies as “delegative.” Even though they seem to share the same formal traits of liberal democracies, they are very fragile in institutional terms and pose serious problems for democratic stability and quality.

To determine the true nature of the political regimes generated by the Latin American democratization processes, it is therefore not enough to verify their correspondence with polyarchy or with any positively coined notion of democracy. It is necessary to delve into the specifics of their formal and informal institutional arrangements, that is, in their governability models. Polyarchies can hide very different governability models, and without understanding them we know very little about real institutions or political regimes, and the limits they pose for the adoption of development policies.

When attention is placed not so much on democratic institutional informality as on institutional, political and economic informality, a revealing link is discovered between “delegative” or imperfect democracies and a specific type of capitalism, namely, “crony capitalism,” which cannot be compared in any way to market economies.

In situations involving cronyism, those who are close to the government receive favors of considerable economic worth. These favors may consist of the direct transfer of wealth (lands, subsidies or tax pardons), but more commonly involve the provision of economic positions. It is seen, for example, when the property or the right to operate a privatized company is transferred, when monopolist or quasi-monopolist positions are legally granted, when credits are provided with highly subsidized interest rates, or when governmental contracts are assigned (Krueger 2002: pp. 1–24). In “crony capitalism,” the politicians in power and specific business groups recognize each other, reach agreements and act as cronies or buddies. Stephen Haber (Haber, Maurer, and Razo, 2002: pp. 25–74) argues that this form of capitalism produces results which are less efficient and equitable than those of institutionalized market economies, but he also holds that it is nevertheless the only type of capitalism that can secure a certain measure of growth under conditions of political instability and/or strong inequality and risk of social conflict.

The argument is as follows: there is a consensus in economic theory and economic history that the most efficient social systems are those that secure universal political

and economic rights through reliable institutions, that is, through effective constitutional governments and the rule of law. This is because in these systems, the so-called commitment problem has been solved—that is to say, the bearers of rights have credible guarantees that the government and third parties will respect their rights and the laws and contracts that supported their creation. In other words, there is legal security for universally recognized political and economic rights within a climate of effective equality of citizens before the law. This constitutes the most powerful incentive for universal savings and productive investment.

But this is all practically impossible under conditions of continued political instability and/or strong inequality. Under such conditions, the problem of commitment in the economic field cannot be solved through the rule of law. An inferior solution is provided by crony capitalism which serves the purpose of mitigating the effects of instability and/or inequality. It is a second-class formula, capable of producing growth even though it is unstable and unequal, that is to say, low-quality growth. Crony capitalism operates through vertical integration: governmental and economic groups become integrated (a) because economic actors are allowed to draft and enforce the rules (which are sometimes informal, and sometimes formalized a posteriori by State agencies) in exchange for the support they will give to the government or (b) because there are incentives for politicians to engage directly in lucrative economic activities.

Crony capitalism is subject to rules—not to universal rules, but to rules deliberately drafted by and for cronies. The economic governance of crony capitalism is created by the members of the clique for their own benefit, even though the entire population is bound to respect it. The government solves the problem of commitment by generating trust structures between cronies who can therefore invest and rely on a measure of security for their investments as long as they remain within the clique. The clique is institutionalized when it is able to accommodate change among its members and of successive governments. In reality, the resulting political and economic governance manifests an iterative process of contracts and recontracts between cronies.

This system is, of course, incompatible with the rule of law and with institutionalized market economies. Private capitalists within this system may not be properly classified as bourgeois because they do not attempt to create a universal economic and legal order, nor do they attempt to separate the State from the economy and society. Cronies seek to control the political process, because if they lose control of it the solution to the commitment problem fails and they lose security (not legally, but politically and in terms of power) for their property rights.

In such a system, integration between politics and the economy is only possible under strong and highly discretionary presidential leadership. For this reason, when the clique is forced to accept democratization, it can do so only by controlling the political process (party elites integrate with economic elites in order to control in a patrimonialist, sinecurist and clientelist manner), thereby preserving a low-intensity or “delegative” democracy. To summarize, crony capitalism expresses formulas for the adoption of decisions and the resolution of conflicts between strategic actors which can be only partially transparent and is therefore permeated with informality. In other

words, in crony capitalism formal entrepreneurs are also to a large extent informal—they are the cronies of their political cronies.

This system necessarily dooms the large majority of the country's forward-looking businesspersons to economic informality and tax evasion. Entrepreneurs cannot become formalized, because in failing to integrate themselves into the clique, they remain unprotected by the cronies' informal system of securities. If they formalize their business, they must bear the high transaction costs of the uncertainty characteristic of governments that lack or have limited rule of law. Entrepreneurs therefore take shelter in informality, which prevents the development of productive middle classes that can broaden the fiscal base and citizenship. This also creates a tremendous obstacle for development by limiting economic transactions to those based on personal trust, which characterizes informal markets.

In failing to recognize the truly universal rights of economic citizenship, crony capitalism also stimulates all sorts of corporatism. Lacking the institutions to secure their rights in an equal manner, people tend to organize themselves into professional, trade or business associations, which generally do not aim to create a universal legal and economic order. Logically, none of this favors democratic development or the advancement of the rule of law. It is no surprise that in general terms, Latin Americans—as shown by opinion polls—tend to manifest high levels of interpersonal trust in their circles of reference (family, community, churches), and alarmingly low levels of trust in the performance of the general institutions in which they are not directly included (i.e., legal, political, police, judicial, military).

Discovering the Value of Institutions for Development: From Policies to Institutions for Development

A short account of how the epistemic and professional development communities are discovering institutions, abandoning technocratic visions and revaluing politics is important for our purposes.

Until the end of the 1960s, development policies placed emphasis on increasing and planning investments, which were regarded as the critical factors for achieving lasting growth. But we know now that there are countries in which there have been high levels of investment that have seen only mediocre growth, and countries with modest investment that have seen sustained growth.

Toward the end of the 1960s, major importance was given to the development of human capital, measured mainly through schooling and life expectancy rates. But it is now clear that viewing levels of human capital as the key to development ignores serious and disturbing anomalies. Important efforts were undertaken to increase both planning and public administration capacities. Throughout this period, the development model was State-centered and technocratic, it proclaimed itself “apolitical,” and was based on simple instrumental rationality that disregarded (or considered irrelevant) dimensions such as culture, institutions, history, and the plurality of notions of

well-being. The ideal that was advanced was that of “catch-up,” or overcoming the gap that existed between developed and developing countries. It was acknowledged that “industrialized or developed” countries, whether in the first world or in the second (i.e., the “real socialism” world), were the standards for progress. This perspective did not do justice to the complexity of development that was discovered later.

The intellectual climate changed during the 1980s as a consequence of the inflationary crises and the debt. This provided the occasion awaited by the neoclassics—commonly labeled as neoliberals—to define the dominant agenda of the decade and of a large part of the next one. Structural adjustment programs were their highest achievements and included elements such as fiscal austerity, anti-inflationary policy, privatization of State companies, commercial liberalization, monetary devaluation and general deregulation of the economy, mainly of the financial and employment markets. These programs also claimed to attract foreign investment, to increase the freedom of businesspersons and investors, to improve pecuniary incentives and competition, to reduce costs, to procure macroeconomic stability, and to quantitatively reduce the State and its intervention in the economy.

The “decatalogue” contained in the so-called Washington Consensus is the best-known codification of these policy recommendations. It has been the target of much criticism, the most typical focusing on its proposals for economic reform. Some have criticized the measures themselves; others find the measures insufficient or ideological. Critics have also been concerned with evidence that the practical application of the recommendations has not produced the expected economic and social effects, that overall it is a major failure, and that in some cases it has caused social damage.

There is, however, one key aspect which is scarcely taken into account when evaluating the Washington Consensus, and which we believe is fundamental to understanding the performance of these or other policies to be undertaken in the future: that is, the importance of the existing political institutions. In fact, political institutions—both formal and informal—are like the “social fabric” that produces policies. Institutions are not at all politically neutral—that is, able to process any type of policies. On the contrary, especially in highly unequal societies, the specific distributive balance expressed by political institutions determines the scope and reach of the public policies that institutions are able to effectively produce and implement.

It must be recognized that some of the reform policies proposed by the Washington Consensus are sensible. The question is, why were these particular policies proposed, and not others which are now considered necessary? Was it simply because of intellectual hegemony issues between neoclassics and neoliberals? Or because Washington’s institutional balance at the time could not process anything else? Why were only some of the proposed policies implemented, and not all of them? Why were some policies carried out more effectively than others? If these questions are not answered, we run the risk that new “recommenders”—with new lists of economic policies—will end up with the same implementation problems, and lead us toward new and frustrating results.

We cannot continue to assume that economic policies are recommended solely on the grounds of the singular logic of international technical expertise or that they are

implemented by benevolent, omniscient and omnipotent politicians. This is the case when we adopt a normative vision of economic policy and attribute policy implementation problems to the famous “lack of technical capacity” (which is supplemented with a handful of consultants) or the “lack of political will” (which is national responsibility). On the contrary, once it is recognized that any reform proposal is only the beginning of a process that is political at all stages (legislation and implementation, including the options for one or the other type of administrative agency and for its mode of operation), it will be possible to approach reality in a more productive manner. From a positive standpoint, economic policy appears to be a dynamic game, with uncertain and changing conditions, with rules made at least in part by the participants as the game advances. Each participant will try to manipulate the next move in the game so as to obtain the result that best suits his or her interests. From this simple perspective, institutions play a decisive role in the understanding of policy formulation and application. As pointed out by Dixit:

From this perspective each act of politics is not viewed as a choice made to maximize a social welfare function, but as one episode—or move—within the set of existing rules and institutions, but allowing some margin to make strategic moves that are capable of affecting or altering the future rules and institutions. From this same perspective, constitutions and rules in general cease to be seen as sacred texts written under ideal *ex ante* conditions and in the absence of conflict, worthy of unanimous consensus and providing the set of rules required for making future policy acts. Quite the opposite: constitutions are regarded as incomplete contracts that regulate a changing and complex world and contain some provisions for procedures to deal with unforeseen contingencies, yet are subject to explicit amendments and changes implicitly brought on by policy acts. (Dixit, 1996: pp. 30–31)

The intellectuals behind the Washington Consensus remained faithful to the instrumental rationalism that accompanied development theory and practice from its beginnings. They tried to package, in conformance with the best economic theory of the time, a mix of policies of supposed universal value introduced *urbi et orbe* by authorities with sufficient political will (thanks to repression, where necessary) and with sufficient science (thanks to the itinerant international consultants supported by international organizations). Again, blind faith in science, together with the idea of Western-style progress as a universal value, and lack of awareness of their own intellectual limits and of the collective action in each country were bound to have calamitous results.

Some scholars note—ironically—that had the Washington catechism been followed, neither Germany nor the United States would have ever been able to become industrialized (Edwards, 1999). The most remarkable aspect of this story is the strength and the conviction with which international financial institutions tried to impose these policies, especially when compared with the tolerance and leniency with which they viewed the perversion of the political process, especially the Latin American one.

Following this path, in the 1990s the development community has been solving the puzzle presented by institutions and their political, economic and social relevance

for development. This process has been fueled by the award of the Nobel Prize for Economics to several institutionalist authors for works which had been practically kept in hibernation for years. We have now reached a point at which there is no speech or document that fails to include what is now threatening to become the “new panacea”: “Put your institutions right” would appear to be the new slogan and even the basis for the new “conditionalities.” But there is great confusion here, because in practice everyone means something different when he or she speaks of institutions (if he or she knows what he or she is talking about at all) and the new rhetoric of institutional reform often conceals the old technocratic practices of reform or modernization of public administration and management. This is due in part to the fact that social sciences deal with different notions of “institution,” and that the notion in itself is not at all simple. Clarifying the concept of institution and the reasons it is relevant for development is indispensable, because, as Frances Bacon cautioned centuries ago, “truth emerges more readily from error than from confusion.”

What Are Institutions, and Why Are They Important for Development?

In current wording, institutions are usually confused with the organizations to which we assign a certain social function or relevance. But this notion of “institution” is pointless for development theory. In reality, institutions are relevant for development only when they are clearly differentiated from organizations. Institutions are the formal and informal rules of the game that govern interactions between individuals and organizations. Institutions are not things—their existence is abstract; they have no objectives, even though they fulfill important social functions. They are the framework of constraints and incentives that set the scene for social interaction. They correspond to specific associations or balances of power, and they live and are supported by our mental, value and attitude models. For that reason, nothing in them is socially or politically neutral. They are formal and informal: the formal ones are confused with the legally or socially proclaimed rules of the game, the informal ones with the rules that are, in effect, internalized and lived.

In Latin America, almost nothing is what it seems, because in many circles institutional informality clearly prevails, sometimes in contradiction to and, in practice, annulling and replacing formal institutions. For that reason, almost every important happening in the region takes reckless observers by surprise. Attempting to change institutions without taking informality—also called social capital—into account in this region not only is theoretical nonsense but is cynical.

Institutions are the main patrimony of any society. They are the primary determinants of the type of organizations and interactions allowed for the exercise of individual freedom. It is well known that a simple aggregate of brilliant individuals does not make a brilliant society. The efficiency and equity of a social order depend primarily on its institutional system and to a lesser degree on the quality of its organizations, which,

in turn, is largely determined by the institutional system in which they operate. The structure of incentives for human interaction is largely dependent on institutions, and institutional systems differ in that they create incentives for different types of individual and organizational behavior. Proposing institutional development is the same as proposing change in the system of incentives in force in a given society.

In other words, every society's potential for economic efficiency and social equity is determined to a large extent by the type of institutional arrangements it has in place. But as will be explained in more detail further on, proposing the reform of institutions and of the incentives for organizational and individual behaviors is the equivalent of altering the existing institutional balance. This manifests as an institutionalized distributive and power equilibrium resulting from solutions to distributive social problems—which are not always optimal.

Institutions are important economically because they determine just how costly it is to make transactions or exchanges in a given society. The critical connection between institutions, transaction costs and neoclassical theory was identified by Coase (1960). Efficient markets (the goal sought in neoclassical economics) can be obtained only when exchange does not entail costs. It is only under conditions of exchange without transaction costs that actors can maximize aggregate income, without having to consider the existing institutions. But today, economies and development are impossible to understand without considering transaction costs, which are a fundamental component of production costs.

Total production costs are the aggregate of transformation costs (the classical factors of land, work and capital implied in the transformation of the physical attributes of a good) and of transaction costs (the costs of defining and protecting the rights of ownership of goods, that is, the right to use, enjoy, dispose of and exclude goods). In principle, the cost of any transaction consists of (a) the costs both of measuring the physical and legal attributes exchanged and of overseeing and guaranteeing compliance with the contract and (b) an uncertainty discount which reflects the degree of imperfection of the measurement and guarantee of terms of exchange.

But not only transaction costs are in question. The existing institutions also affect transformation costs, and they are a determinant of any country's productive structure. Indeed, when a given institutional system defines and protects property rights unequally (reserving the well-defined and secured property rights for a minority and subjecting the majority to a regime of ill-defined and unprotected property rights, as occurs throughout the developing world), the resulting insecurity will be reflected not only in higher transaction costs, but also in the use of technologies that incorporate little fixed capital and do not entail long-term agreements.

The worst thing for developing countries is that the institutional structure, because of its impact on long-term evolution of knowledge and skills, not only has a powerful influence on the basic production structure, but also tends to perpetuate underdevelopment. Indeed, organizations are designed by their creators to maximize wealth, income or any other objective within the scope of opportunities provided by the institutional system in force. Organizations are, of course, created in response not only to institutional constraints, but also to constraints such as technology, income

or preferences. Interaction among all of these constraints determines the potential opportunities available to political or economic entrepreneurs for maximizing wealth. The realization of these potential opportunities poses, in turn, the question of what type of knowledge and skills will be required by the wealth-maximizing organization. The answer is important because it largely determines the quantity, the type and the form of evolution of the knowledge and skills available at a given moment in a given society.

The last 10 years have witnessed a flood of very interesting attempts at measuring the level of institutional development of individual countries. Even though most of them are based on subjective observations, this does not lessen their value in addressing the realities that are decisive for development and that were—until a short time ago—considered impossible to measure. They are doubtlessly contributing to our knowledge in this area. These indicators, when interpreted in terms of a model of “institutional quality” (or institutional requirements for bringing about development) serve to highlight institutional deficits or gaps. However, it is incorrect to construct agendas for institutional development on the grounds of these indicators. Even assuming the validity of “benchmarking” in the institutional field, proposals for specific institutional reforms in a given country may not be advanced without taking into account its historical process, that is to say, its map of actors and conflicts, its potential for learning, and the scope and nature of consensus-building. This may be better understood by examining some basic indications of institutional change.

How Institutions Emerge and Change: Actors, Conflicts and Consensus

New institutionalism is more a collection of contrasts than a creed. Institutionalists coincide in their conceptualization of institutions and of their relevance for development. But when it comes to explaining how institutions emerge, how and why they change, how they relate to actors, and what social functions they fulfill, the theories are so diverse that they are difficult to grasp in their entirety. This is not the aim in this chapter. But given that institutional reform strategies must be grounded in a theory of institutional change, it is important to address this issue.

Today, institutions tend to be seen as solutions to problems of collective action. There is nothing to object to here. In fact, institutional development in a given country determines its level or capacity for collective action. Without institutions, human sociability is hard to imagine. Consequently, institutions have traditionally been regarded as public goods that must be preserved and that can and must evolve. Not only is this position unjustifiably conservative, it is unable to portray the most valid features of institutional development.

The position presented here, following Knight’s (1992) approach, maintains that it is not possible to understand institutions or their process of change without analyzing the distributive effects borne by institutions and their inherent conflicts. Understanding

how distributive conflicts are resolved requires an analysis of how existing power asymmetries impact the evolution of social institutions. In other words, institutions cannot be understood without making reference to the inequalities and conflicts that they generate. The thesis that existing institutions represent optimal rational solutions to the problems of collective action is rejected. On the contrary, we believe that institutional theory must be able to explain why existing institutions offer suboptimal solutions in terms of development, and why their change is not necessarily advantageous.

A theory of institutional emergence and change must do the following:

1. Explain the mechanisms by which an institution emerges. This implies answering (a) how a rule ends up being a socially shared standard and (b) why the rule adopts a particular form among other possibilities.
2. Explain how the established rules change. This requires an understanding of (a) how and why the rule in question was undermined and (b) how a new rule came to be established.

Institutions do not emerge to constrain the behavior of individuals and organizations with the aim of preventing suboptimal social results; rather, they are the product of significant distributive conflicts. Institutions express steady approaches to solving distributive conflicts, which can be socially efficient or inefficient. To understand institutions we must know who systematically benefits from them and how strategic actors have been able to determine their contents. For this purpose, we must take into account existing power asymmetries, which are obviously greater as social inequality increases.

There is no society without conflicts. No society progresses without effective mechanisms for conflict resolution. Social conflict arises from human interaction—individual or organizational—as a consequence of the different expectations of the actors operating in every interaction structure or institutional framework. Conflict takes place between actors who behave strategically because they are aware of their placement in a structure of interdependence that can change but not disappear. Within that structure, every actor tries to maximize his or her expectations (a notion that includes each actor's own interests, as calculated through his or her mental map, and that can also incorporate the consideration of general interests or collective social outcomes), but he or she must consider how the other actors will behave in pursuit of their own interests. The structure of interdependence becomes institutionalized when actors find a solution for the distributive conflict and create a rule that expresses a given distributive balance. This is then internalized by the different actors as the rule for solving future conflicts. This internalization explains why institutions correspond with prevailing mental, attitudinal and appraisal models, insofar as the institutional balance remains stable.

When do actors decide to invest in institutional change? They will not do so if, in spite of potential opportunities or risks (including the perception of a situation as being unjust, unsatisfactory or highly inefficient), they come to the conclusion that there is nothing to be gained—that is, if they perceive a situation as one of institutional

balance, in which, given each actor's power resources and the existing institutional arrangements, no actor will benefit from investing in restructuring institutional arrangements. On the contrary, a process of institutional change will take place when a change in relative prices or in preferences leads one of the parties to a transaction to perceive that it, or both parties, could obtain higher benefits as a result of a change in the contractual arrangements. In these situations, it pays to invest in the creation of intermediate organizations (business groups, workers' unions, political parties, and a variety of lobbying groups) which assume the responsibility of interrelating with the governmental structure, with the goal of altering formal rules or institutions.

Institutions can change in an evolutionary, continual and incremental way or, conversely, through leaps or through collapse, evolution or revolution, reform or rupture. The most successful societies are the ones in which conflict and change occur within an evolutionary institutional system and are characterized by having high levels of both stability and change. They have the highest adaptive efficiency, the best institutional quality, the highest social capital and the greatest level of solid and lasting human development. But these outcomes are not within the reach of just any society, because adaptive efficiency is a feature only of specific types of institutional arrangement.

The key for undertaking continual institutional change processes, which are capable of turning conflicts into opportunities for ongoing collective learning, lies in the availability of an institutional context that allows the restructuring of agreements and commitments between actors every time that conflicts arise. These conflicts may result from changes in relative prices or of preferences which alter the existing institutional balance, and cannot be solved by the existing rules of the game.

The Crisis of Politics

Political institutions are the major determinants for different types of institutional change. When they do not provide incentives for continuous, incremental change, actors lack the necessary structure for resolving conflicts and may be forced to form coalitions or groups to overcome barriers, using strikes, violence, coups and other means. This scenario is all the more likely as inequality and social and political polarization increase. The picture becomes more complicated when social actors, besides lacking an institutional framework that encourages dialogue, have little freedom to negotiate and their ability to maintain the loyalty of their constituents comes into question. In these cases, connections among social actors may not exist, making institutional restructuring impossible despite the very important potential benefits.

In institutional environments like those just described, social actors can try to form revolutionary coalitions with the aim of overcoming the impasse and capturing the potential benefits of institutional change. But the outcome of a successful revolution will always be uncertain in the midterm because when it comes to reforming the rules and distributing power and benefits, conflict will be inevitable, and the institutional policies for settling these conflicts will not yet be developed. Meanwhile the old, informal rules, although they provide less than optimal solutions, will remain

in force as long as they can solve people's problems even if they are inefficient and inequitable.

When change becomes impossible or unsatisfactory, the costs and risks of rupture can be lessened only by abandoning the revolutionary hypothesis (i.e., the idea that the victorious party will impose a new institutional order that can be legitimized a posteriori), and generating consensual change. The contrast between the Venezuelan and Spanish constituent processes is a good example. The Spanish constituent process was a break with the preceding constitutional order and was an agreement between political and social forces representing the vast majority of citizens. The Venezuelan constituent process was unequivocally democratic, but it was not the result of an agreement between political forces, which had occasional electoral legitimacy, and the political and social forces, which were capable of operating as strategic actors and vetoing the process. The high level of institutionalization and political stability achieved in the first case, and the low level of institutionalization and high polarization and political risk of the second, should serve as a warning for strategic actors.

The value and the difficulty of reaching consensus are best understood when they are viewed not as the result of political games, but as the desirable outcome of a distributive conflict which, lacking consensus, will generate disorder and even political and social disintegration. Sound learning and consensus will, on the contrary, generate a new, more equitable and efficient institutional balance. Institutional reform is, therefore, the moment for conflict, for promises and deals, that is to say, it is the moment for POLITICS, in capital letters. When it is accepted that institutional reform must take place in order to achieve human development, the value of politics and politicians is rediscovered. But given that these are not the type of politics nor the politicians produced by the preceding type of governability, the reform of politics becomes a central issue within the new development agenda.

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CHAPTER 2

Democratizing Development

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Introduction

Democratization and development are both forward-looking concepts. That is to say, they refer to processes of cumulative social change that can result in future political and economic outcomes that are qualitatively different from (and superior to) present conditions. As such, both concepts are necessarily long-term, dynamic and macro-historical in scope. They also both express a normative standpoint. (It would not make sense to classify as “development” a transformation to a state of affairs that was judged qualitatively inferior to its starting point.) Indeed, from a genealogical perspective they are both offshoots of the Western/Enlightenment ideal of progress.

In an earlier phase of social science theorizing, they were both subsumed under the umbrella discourse of “modernization.” But as political science and economics subsequently became more professionalized and differentiated, democratization and development were isolated in separate analytical compartments, and efforts were made to strip both of them of their historical and subjective connotations. They were isolated, objectified, dissolved into measurable proxies and separated from their ethical foundations. Such analytical procedures were initially a healthy antidote to the ideological distortions and teleological biases implicit in much classical discussion of “progress” and more recently of “modernization,” but the antidote produced its own harmful “side effects.” Since the end of the Cold War, efforts have been made by the UNDP and others to reconcile the requirements of contemporary social science methodology with the holistic characteristics of these concepts, and to bring the discourses of democracy and development back into contact with each other, while restoring their commitments with energizing values. This chapter is a further effort in that direction. But the key assumption here is that there is no easy reconciliation of theoretically

incompatible positions, and that a successful approach involves a return to first principles. So the thrust of this chapter is to *reculer pour mieux sauter*.

At the most abstract level both democracy and development can be conceptualized so broadly that they converge into a single image of the “good society.” This is the dominant Western image of progress in the post–Cold War world, the “true and only heaven” recently dissected by Christopher Lasch (1991). Even after the Soviet collapse it is by no means the only available image of the good society, but it is the only universal image. The remaining alternatives are either theocratic (confined to true believers) or in some way particularist (confined to particular localities, ethnicities, nationalities, or culture groups). Those with the most secure access to this good society seem increasingly preoccupied with its insecurities and insufficiencies, and they have some sound reasons for their concern. But the proportion of total population living in so-called industrial countries fell from 31 percent in 1960 to 22 percent in 1992, and the proportion living in countries of the Organisation for Economic Co-operation and Development (OECD) fell from 21 percent to 15 percent over the same period (UNDP, 1994: p. 201). Many OECD citizens (probably an increasing proportion) lack full and secure access to the benefits of the Western good society, and the great majority of non-OECD inhabitants have only the most nominal and precarious claims to the sociopolitical status of modern citizenship.

This chapter reflects on the interrelationships between two key components of the secularized liberal image of the “good society”—political democracy and economic development. These two components can be detached from their theoretical moorings, narrowly defined in order to reduce the overlap between them, and then represented by simplified empirical proxies (electoral competition and alternation, GDP per capita, etc.) which can then be tested for association and covariance. Recently there has been something of a growth industry in this type of investigation, although the insights generated may seem meager, considering the efforts expended. One recent review surveys 46 studies and rejects the hypothesis that political democracy is negatively associated with economic development. It identifies education, investment, and “governance,” as potential bearers of a positive association (Campos, 1996). If we search for patterns of association between democracy and economic development in the post–Cold War world, our samples will be heavily weighted toward a particular kind of democracy, and a currently fashionable notion of economic development. It by no means follows that either pre-1989 or 21st-century variants of democracy will be associated in the same way with economic development, as understood in earlier (or perhaps in later) periods.

Ahistorical, “objective” indicators of democracy and development can, of course, be constructed without reference to such contextual meanings. Thus, on standard indicators Chile was as much a democracy in 1940 and in 1970 as in 1990, even though what this signified in terms of social representation and development objectives was radically different in each case. Similarly, over *some* periods and on *some* aggregate indicators Botswana can be bracketed with Singapore (and why not Saudi Arabia?) as exceptionally successful instances of economic development, without regard for the extreme dissimilarities of sociopolitical structure, and of collective beliefs and aspirations, which separate them.

But this chapter seeks to identify lines of interaction between democracy and development rather than to generate purportedly objective correlations. For that purpose it is important to specify the context, meaning, and subtypes of the categories involved. This chapter attempts to provide a corrective to the ahistorical and reductionist tendencies in such studies, by reconnecting each of the two key categories within their respective theoretical and historical contexts. The intention is to restore a sense of perspective to our judgments about the immediate present, and to re-establish the reflexivity latent in our notions, both of political democracy and of economic development. Although these two concepts share some common assumptions, they have distinctive roots and associations and can be analyzed in isolation from each other. However, this chapter concludes with some suggestions about how they may proceed to converge.

The *Longue Durée*

Democracy

The idea of political democracy has a history that is long, checkered, and rather precisely known. Indeed, several recent scholarly analyses have claimed, without unreasonable distortion, that 1993 was the 2,500th anniversary of its creation by Cleisthenes. During the course of that long period diverse embodiments of the idea have been claimed in a wide range of settings. Thus, political democracy has been thought compatible with a slave-based economy, not only in antiquity but also in the New World (this was the Washingtonian consensus until 1 January 1863). Over the centuries it has been variously identified with urbanism and literacy; with the settlement of new lands (in A.D. 930 the annual meeting of the Icelandic parliament was initiated); with constitutional monarchy and republicanism; with some forms of European imperial conquest (e.g., the extension of the “Westminster system”) and some forms of resistance to imperial rule; with Christianity and with secular liberalism; and, in our lifetimes, both with the relentless advance of socialism and equally with the inevitable hegemony of capitalism.

For most of this long period educated opinion has been hostile to, or fearful of, political democracy (often equated with mob rule) or the triumph of mediocrity. After the (mostly failed) democratic revolutions of 1848, however, a new synthesis of political constitutionalism combined with economic liberalism began to pave the way toward a more conservative variant of “democracy.” The concept has been associated with a variety of different social experiments across time and space, each of which needs to be duly contextualized. For example, a good case can be made that for about half a century after 1870, across South America a certain (“oligarchical”) variant of civilian constitutional rule was quite strongly associated with a model of export-oriented development based on the exchange of various primary products for imported capital goods (notably railways, ports, telegraphs, etc.). This was not “democracy” in the abstract (indeed it contained quite a few features that would seem distinctly undemocratic to the modern

eye), and the associated model of development was neither of universal validity nor of permanent duration—it entered into crisis as the internal combustion engine displaced the train, and Britain lost her ascendancy.

So we must be attentive to the boundary conditions limiting the coexistence of this particular type of democracy and this distinctive process of development. Nevertheless, within such spatial and temporal limits we can pursue some quite significant hypotheses concerning, if not causation in the strong sense, then at least recurrent patterns of connectedness and elective affinity. My impression is that foreign bankers, merchants and investors consistently demanded sanctity of contract and predictability of government. Both civilian constitutionalism and export-oriented growth were organized largely in response to that functional requirement. Assuming that this interpretation can withstand scrutiny, we would have identified one important type of linkage between a particular variant of political order, and a specific episode in the history of economic development.

This would be a useful story to bear in mind when investigating the association between other variants of “democracy” and alternative development strategies in different periods of time or in other parts of the world. But any attempt to turn it into a general law, or to bracket this type of experience with, say, that of the peasant-based electoral regimes of interwar Europe, and their strategies of economic nationalism, would be misconceived in principle and misleading in practice. At least from the late 19th century onwards the notion of democracy has been appropriated by Western establishments and largely deradicalized, a process that reached its culmination during the Cold War, when efforts were made to assimilate nearly all the broad spectrum of anticommunist regimes into the “democratic” camp, to the exclusion of more “neutral,” or unreliable, regimes (even those displaying considerably greater degrees of political openness).

Now, in the absence of a Soviet alternative which could try to rival Western pretensions to universalism and modernity, the ideal of political democracy can claim the nominal allegiance of all of the West, and perhaps much of the rest as well. But if its checkered and subversive history is forgotten it becomes a deracinated ideal, a procedural formality, even an irrelevance to those still in search of that elusive goal of the good society.

Development

The idea of economic development is more recent, and its history is less well studied. Of course the *reality* of economic development can be traced back far before classical Greece, but the idea could not be elaborated until pre-market beliefs about such matters as the fixity of wants and the existence of a “just price” had been superseded. In the European tradition the idea that wants were in principle unlimited, and the related idea that relative prices should reflect relative scarcities (in relation to unlimited wants), seem not to have displaced pre-market beliefs until well after the Reformation. Before that, the Catholic monopoly on higher learning and morality blocked the

emergence of modern economic reasoning, and pre-Christian classical teachings also rested on the same pre-market assumptions, so that in place of the modern idea of economic development the Greeks and Romans thought in terms of historical cycles of growth and decay.

It is probably anglocentric of me to date comparative and reflexive thinking about economic development to the Scottish enlightenment, and to take Hume, Ferguson and, above all, Smith as the founding authors in this tradition. But even if we shifted to their counterparts in continental Europe (Cantillon, Quesnay, Turgot, etc.) we would still start somewhere in the Enlightenment Age since it was only then that economics and the economy became established as a distinct and separate subject and system (Dumont, 1991; Rothschild, 2001). Compared to the 2,500 years of debate on democracy, our ideas about economic development stretch back no more than one-tenth as long.

The two central assertions about economic development in Adam Smith's *The Wealth of Nations* are that "the division of labor is the great cause of the increase of public opulence," and that the prime component of this division is commercial exchange between town and country ("the exchange of rude for manufactured produce") which produces gains that are "mutual and reciprocal." Savings are required to accumulate the capital needed to finance such transactions. Although these twin contentions yielded powerful insights into processes of economic differentiation which were already perceptible in Europe, and which could be extended across the globe, they fell far short of a comprehensive or universally applicable account of economic development.

Indeed, Smith still retained the notion that there must eventually be some upper limit to "the degree of opulence" attainable by any particular country—a limit set by its factor endowments, and by the prospect that rising prosperity would stimulate population growth until income per capita stabilized. He also regarded agricultural improvement as in some sense the bedrock of economic prosperity; indeed he almost followed Quesnay in the view that *real*—i.e., durable—wealth is in land. And he was not as alert as he might have been at the first stirrings of technological revolution in British industry (notably in cotton).

Thus, economic development was early on associated with the modernization of agriculture and the rise of towns. Later, and starting with Malthus, it was linked to the growth of effective demand, perhaps promoted through public works (rather than to savings), and to introduction of labor-saving machinery in industry rather than to the modernization of agriculture. It became associated with industrialization after the middle of the 19th century, as the notion of continuous, rather than episodic, technical progress in manufacturing came to the fore. In due course this led to concern with the diffusion of technological dynamism from leading industrial nations to those seeking to "catch up." This opened the way to the idea that the economic development of latecomers might require a higher degree of public policy coordination and State intervention than had seemed appropriate to the founders of political economy.

The rise of Keynesian economics reinforced the prestige of macroeconomics and of economic planning, thus creating a temporarily favorable environment for the establishment of a distinctive subdiscipline of "development economics" after the Second

World War. During the first half of the Cold War period, Hirschman (1981) is surely right to emphasize the importance of the Marshall Plan as a major impetus and source of encouragement to this nascent subdiscipline. He notes that development economics emerged in very unusual, and as it turned out, temporary circumstances in England and the United States (not in the developing countries themselves) after 1945. These included the discrediting of orthodox economics deriving from the depression of the 1930s, and the arrival of international Keynesianism, in the form of the Harrod-Domar growth model, with its implication of an enhanced role for the State in promoting countries that were late in industrializing. He concludes by suggesting that the founders of development economics displayed a paternalist, perhaps even somewhat contemptuous, attitude toward developing countries, when they assumed that problems of backwardness could be so easily overcome by the adoption of development planning. This presumed that such societies were governed only by *interests*, and had no *passions*.

That, of course, reflected the Cold War requirement that economic development should take a form that would strengthen the West against the Soviet bloc. Indeed, both the spread of democracy and the pursuit of economic development in the so-called third world were heavily conditioned by the overriding requirements of bipolar conflict. This affects both the substantive content of the two categories, and the interactions between them. From the 1960s on, development economics became increasingly divided over (or detached from) Cold War polarities, a stance which may have initially boosted its prestige, but which eventually contributed to its problems.

Hirschman prefers to emphasize a related, but somewhat different, source of political vulnerability—what he calls the “development disasters”—which followed decolonization in the 1960s. According to his view, when development theorists found that “the promotion of economic growth entailed not infrequently a sequence of events involving serious retrogression in those other areas, including the wholesale loss of civil and human rights, the easy self-confidence that our subdiscipline exuded in the early stages was impaired” (Hirschman, 1981: p. 21). In other words, the undemocratic or democratic practices that many third-world governments came to justify in the name of economic development demoralized a subdiscipline that had been rooted in Western liberal assumptions about the nature of social progress. But by the 1970s, in Hirschman’s words “the old liveliness is no longer there . . . new ideas are ever harder to come by . . . and the field is not adequately reproducing itself” (p. 1). This judgment foreshadowed the upsurge of what may loosely be labeled “neoliberal” perspectives on economic development in the 1980s, under which economic development became associated with “getting prices right” by reinforcing international market disciplines and by strengthening private property rights.

One solution to this problem was to retreat into more technical work on the efficient allocation of resources, and another was to switch from concern with “growth” to concern with “basic needs.” The former rested on the illusion that “by confining itself to smaller, highly technical problems, development economics could carry on regardless of political cataclysms,” and the latter dissolved “the hitherto unique maximum of development economics (income per capita)” into “a variety of partial objectives, each requiring consultation with different experts.” Both solutions struck Hirschman in 1980

as cop-outs from the basic goal—all-round emancipation from backwardness. He concluded that “the challenge posed by dismal politics must be met rather than avoided or evaded. By now it has become quite clear that this cannot be done by development economics alone” (pp. 22–23).

In the aftermath of decolonization (a process largely overlooked in Hirschman’s brief survey, although it was surely central to the tale he told) there was deep uncertainty over the credentials of Western development theorists as critics of third-world political repression. “Postcolonial guilt” on the left combined with Cold War realpolitik on the right to insulate debates over economic development from concern with the issues of political democracy. Until the end of the Cold War the international financial institutions explicitly underscored this insulation by stressing that their charters precluded them from interfering with the internal political affairs of member States. “Development” became a supposedly apolitical goal, to be achieved through technical means, whereas “democracy” was classed as a matter of domestic choice or subjective preference not to be imposed (or even materially encouraged) from without. It is hard to find a better illustration of the social construction of an is/ought dichotomy.

With the end of the Cold War, and the rise of a postcolonial generation no longer hung up over the struggle for national sovereignty, but instead missing the freedoms that were lost during State formation, the international context has radically changed. The “democratization of development” cannot be placed back on the agenda to accompany the development of democratization. Development studies can and should no longer “avoid or evade” the “challenge of dismal politics.”

Democratizing Development

Reviewing classical debates on “democracy” and “development,” and considering the ways in which these categories have been adjusted to new contexts over time, leads to the conclusion that in the 21st century what we understand by “development” could very well incorporate some very considerable elements drawn from democratic theory. Likewise, our future conceptions of “democracy,” appropriately understood and updated, could quite properly include much that has recently been studied within the limiting confines of the subdiscipline of “economic development.”

When the application of knowledge, rather than mechanical power, provides the main key to economic prosperity, the most effective producers can be expected to set a high standard of demand for citizenship rights and governmental accountability. When a central task of modern democratic government is to secure informed assent to complex public choices in economic management, our conception of “development” can hardly continue to omit consideration of the social acceptability and legitimacy of the policies to be selected. It is in this area of convergence between notions of “democracy” and “development” that the best future of development studies lies.

As indicated by this thumbnail sketch, economic development, like democracy, has already appeared in many different guises, and has at different points been identified with a wide range of apparently incompatible partners. Viewed from this *longue durée*

perspective it would be surprising if either of these have suddenly become constants, or have shed the capacity to mutate and accommodate to unforeseen contexts. It would therefore be surprising if either had become so fixed and inflexible as to block out convergence with the other. Seen from this historical perspective, recent identifications of democracy with capitalism, and of economic development with market liberalization, are more likely to prove liaisons of convenience rather than ultimate identities. But as we have seen, the contents of both concepts have varied over time, so any effort either to separate or to reconcile them must start by addressing the definitional and conceptual issues.

If democracy is understood as meaning no more than the holding of competitive elections, and the consequent alternation in government of rival parties in accordance with the changing preferences of the electors, then the spread of democracy may have little bearing on social development outcomes. Similarly, if economic development is understood as essentially consisting of a high and sustained rate of economic growth, perhaps accompanied by some social emergency funds and some targeting of benefits to the very poor, then the choice between establishing a democracy or maintaining an authoritarian regime may be more clearly linked to the *style* of social development than to its *level*.

At this level of abstraction it is possible to think of interconnections between democracy and development that could be supportive, and of others that could be obstructive, but neither type of linkage looks particularly compelling. Overall the null hypothesis would seem as plausible as any. The procedural minimum version of democracy need not carry many implications for social development, and the growth-first version of economic development leaves it open to doubt whether democracy or authoritarian rule produces better social development outcomes.

But during the 1990s the conviction has grown that democracy and development are more intimately interconnected and more positively associated than this. Cross-country data sets have been scrutinized to test for association (with somewhat mixed results). Not too much illumination on the links between democracy and development can be expected from data sets that include dozens of “failed” or “near failed” States, and that count countries the size of India and China as single units to be compared with Dominica and Fiji. For example, of the 174 States classified in the *Human Development Report* (UNDP, 2000), perhaps as many as one-quarter are so recent and insecure that the question of survival dominates public policy, pushing tasks of political and economic development into the background. A few not-so-new States are also in this position. Although this refers to around a quarter of existing so-called developing States, only a much smaller proportion of the total population of these countries is involved, since the list includes hardly any of the heavily populated nations. But if we consider, say, Timor (then still treated as within Indonesia) or Tibet (within China) or Kashmir (within India), it is immediately apparent that there are highly populated regions within several of even the best established of “third-world” States where the overriding concerns of contemporary public policy are almost as primordial as in comprehensively “failed States” such as Afghanistan, Burundi, Democratic Republic of the Congo, Georgia, Liberia, Rwanda, and Somalia.

Various democracy-related words and phrases—“participation,” “civil society,” “empowerment,”—have assumed increasing prominence among the goals of development pursued by international donors. As more developing countries have adopted at least the outward appearance of democratic political practices, the opposition to linking democracy with development maintained by the traditional lobby for least-developed countries (LDCs) has weakened. The majority of developing countries can now hope to benefit if developmental assistance carries democratic conditionality, and the donor countries are increasingly inclined to associate democracy with social development and therefore attach such conditions to their aid.

If this shift in beliefs and practices proves to be more than just a passing fashion, it will have to be accompanied by a reconceptualization of both democracy and development. Indeed it seems that just such a debate may be getting underway in both of the relevant scholarly communities. Social development provides the key point of intersection between the separate academic discourses of democratization and economic development. To the extent that these discourses converge, social policies and citizenship entitlements will move from the margins to the center of attention in these scholarly communities. The UNDP’s cumulative work on “human development” has generated an extensive empirical database backed by considerable theoretical groundwork designed to shift public policy priorities in a direction in which both democracy and prosperity are valued as proxies for human freedom.

But, it is one thing to shift the focus of attention, and quite another to integrate the new objects of study into a coherent and operational analytical framework. The “rights” discourse underlying the “human development” perspective tends to reject trade-offs or sequencing strategies that would involve prioritizing some claims over others. The World Bank’s *World Development Report 2000/2001* makes an uncomfortable attempt to reconcile this human development perspective with the Bank’s more traditional emphasis on results-oriented strategic choices. Thus it concedes that “democracy is intrinsically valuable for human well-being as a manifestation of human freedom. Political freedoms have enormous impact on the lives and capabilities of citizens.” But, perhaps mindful of earlier World Bank enthusiasms for some undemocratic regimes, this *prise de position* is quickly counterbalanced by reference to the record of “a few notably development-oriented countries, such as the Republic of Korea, before they became pluralist democracies.” (A tactful veil is drawn over those development-oriented countries, such as China, which still express no intention of following such a path.) “Democracy—both representative and participatory—is a good in itself.” (This formulation presumably enables the Bank to commend some regimes that do not allow competitive multiparty elections.)

But the same report states that “democratic political processes alone are not enough to ensure that poverty reduction is taken as a key priority in society’s efforts” (World Bank, 2001: pp. 112–113). So despite the intrinsic value of democracy, this language of priorities leaves open the possibility not only that something more may be needed to reduce poverty, but that something different may work better. Given the need for such intellectual contortions it may be all too tempting for the mainstream development agencies to maintain an established framework, with some “add on” refer-

ences to social development, environmental sustainability, gender balance, or political empowerment, that sound encouraging but that do not disturb core assumptions or modes of analysis. Notwithstanding any discursive shift toward integrating democracy and development at the analytical level, when it comes to policymaking and goal setting the democratic component tends to shine by its absence. Thus the United Nations' Millennium Development Goals for 2015 include global targets for income, education, demography and sustainable development (all costed and quantified), but no political goals. Similarly, advocates of democratic conditionality are often inclined to focus solely on political variables and may be tempted to treat social welfare as an optional extra.

The central target of the Millennium Goals is to halve the proportion of people living in extreme poverty (i.e., on a purchasing-power parity income of less than one dollar a day) by 2015. The other six goals serve essentially to buttress the durability of this advance. The package adds up to what is intended to be an incontrovertible and unifying objective—minimum goals, but ones that are agreed upon, are attainable, and would make a real difference. Nevertheless, from a democratic perspective there is much to debate here. The international decision-making process is highly opaque, and it is far from clear who would be held responsible if the targets were missed. The targets themselves also merit discussion. Can any freedoms be suspended in order to accelerate their fulfillment? If halving extreme poverty is attainable, why wait until 2015? Why only halve the proportion? Are the rich to pay, or the only slightly less poor?

The old mainstream policy framework has a clear rationale. If resources are to be allocated among countries in a manner that rewards "good performance," then the criteria for ranking and evaluating performance need to be explicit and verifiable. In fact it is not that easy to distinguish precisely between authoritarian and democratic regimes, or between countries pursuing sustainable growth policies and those on suboptimal paths. At least with the old narrow definitions of democracy and development there is an established tradition of measurement and a conventional literature of causal explanation.

If our conception of democracy is broadened to include such fuzzy notions as "empowerment," or if the focus on economic growth is diluted by the importation of more imprecise and perhaps culturally bounded elements of social development such as citizen rights, then the criteria for judging performance may become unmanageably complex, and perhaps arbitrary. There is, indeed, plenty of evidence that in the past undemocratic regimes have attempted to conceal their deficiencies by invoking their supposedly superior systems of political participation and social integration. Similarly, governments that were not willing to pursue sound economic growth policies have sheltered themselves behind the excuse that they must protect irreversible social conquests. Given such antecedents, defenders of the old framework can make a respectable case for their position. Merely talking about participation and social welfare gives no guarantee of improvements in performance. Such defenders continue to argue that citizenship entitlements and social development programs can be "added on" only provided that economic rationality and "good government" are first respected.

However, this established framework confronts mounting difficulties, both practical and political. On the practical side, for a regime to be classified as “democratic” is normally to receive a positive evaluation, not just a neutral descriptive designation. Advantages, prestige, and self-respect flow from such labeling or slogans. Likewise, for an economic policy to be designated an example of economic development is also beneficial. In both cases political leaders strive to secure favorable endorsements, and to avoid or deflect negative labeling.

Debate about which precise instances fit within the broad and blurry categories of “democracy” and “development” can easily become politicized. The same applies to propositions involving the linkages between the two. Indeed, we may be dealing with “essentially contested” concepts, and with a discourse about their interrelationship that in considerable degree reflects these underlying struggles for power. The recent establishment of a range of independent and standardized annual tabulations covering the entire world (such as the UNDP’s Human Development Index, Freedom House’s annual survey of freedom, and Transparency International’s corruption perception index) provides an important corrective to previous excesses of subjectivism, but it does not dispense with the need for informed personal and collective judgment not only in the interpretation of the rankings, but also in deciding whether to accept their relative evaluations.

Other practical difficulties include (a) that with the spread of democracy come mounting demands for decentralization and the devolution of public policies to more local levels of government; (b) that with the spread of market-based systems of competition and allocation comes a shift in the locus of economic power away from the government agencies hitherto charged with implementing optimal growth policies; and moreover, (c) that where social development has been allowed to falter, perhaps through omissions arising from too narrow a conception of “good performance,” the evidence has mounted that such omissions easily produce negative feedback which can eventually destabilize procedural democracy and/or disrupt “sound” growth strategies.

Practical considerations of this kind, reinforced by the political preferences of a growing number of both donor and recipient governments, have driven defenders of the old framework to make concessions, and even to dilute the clarity of their initial core convictions. Conventional “billiard ball” models of causation and totemic quantitative indicators of macro-performance no longer inspire quite the same deference as in an earlier period of technocratic self-confidence, but they have not been dethroned, either. Those who favor the incorporation of “softer” styles of explanation and evaluation have yet to develop generally accepted alternative approaches.

It should be possible to move beyond this state of affairs, and to reconceptualize both democracy and development in a manner that would provide a superior and integrated analytical framework and perhaps even a more democratic policy rationale. *The Human Development Report* by the UNDP, *Visible Hands: Taking Responsibility for Social Development* by the United Nations Research Institute for Development (UNRISD), and related academic initiatives indicate that the search for a substitute framework is well underway although as yet the results remain incipient. Freedom of expression and association provides some offset to the risks of man-made famines and other prevent-

able “natural” disasters. Citizens with voting rights can exercise some leverage over public policy priorities, and may prefer clean drinking water to pharaonic dams and similar megaprojects. If social development elicits local ownership and citizen participation it may constrain wasteful arms expenditure and tilt international relations toward cooperation rather than conflict. The traditional separation between politics and economics, both narrowly conceived, has obstructed investigation of such potential linkages (forgetting what Gunnar Myrdal once taught us about “cumulative and circular” causation in development studies).

Some New Directions for Research

It may be possible to “democratize development,” but, if so, there are no shortcuts or easy add-ons. It will be necessary to return to first principles for the reconceptualizations that are required, and it will also be necessary to reconsider some basic questions of method. As a first step we would have to *reculer pour mieux sauter*. Thereafter it would seem critical to identify a cluster of relatively specific and empirically researchable topics and issues for which a more integrated view of developmental democracy is likely to yield particularly distinctive and productive insights. A promising cluster would be found in some aspects of social policy, particularly as it arises in a subset of relatively stable and well-institutionalized new democracies.

The first principles in question are very broad, and can be outlined quite concisely. As already indicated, democratization and development can both be viewed as long-term, open-ended processes of social constitution. It becomes possible to reconceptualize them, understood in such terms, as not just contingently or instrumentally associated. Indeed, they may be mutually constitutive (derived from a unitary conception of human rights, of human freedom and of self-realization). The “elective affinity” between them may be traced to a common foundation of dialogue, deliberation, and consent. But if we follow this line of reasoning we have to absorb the implications of open-endedness.

There is no universal and measurable end point, at which democratization ends and development is completed. The goals of democratic development remain subject to revision and perfection by future generations of citizens, and they may vary over time and space. Just as the development and democratization of the United States was not finally accomplished in 1787, or in 1865, or in 1965, so also the developmental democracies of Brazil, India, Mexico and, indeed, the United Kingdom will remain under construction over future generations.

These are obviously complex and controversial tasks of reconceptualization that must be elaborated more fully elsewhere. Moving beyond this quite abstract level of theorizing, one could seek to identify some relatively concrete historical experiences and areas of public policy in which such a perspective may generate otherwise unavailable insights. The concern here is both to isolate topics suitable for comparative empirical inquiry and to highlight methods of investigation appropriate to this theoretical perspective.

For illustrative purposes, four topics are outlined here that are of particular interest: (a) the Western Hemisphere regional experience of almost universal political democracy accompanied by often extreme and typically unchanging levels of inequality and social injustice; (b) within this region-wide framework, one could undertake some “paired comparisons” of national variation (e.g., between Costa Rica and Nicaragua, or the Dominican Republic and Haiti, or Argentina and Chile); (c) since this perspective directs attention to long-term holistic processes one might also examine a single national experience over several generations (Bolivia could be chosen for this purpose); and (d) disaggregation and examination of key areas of public policy in which the linkage between citizenship and distributive outcomes is of particular relevance (e.g., citizenship and water rights, citizenship and public security). Such topics for comparative research invite reflection on methodological issues as well.

Otherwise, insensitive (“brutalist”) criteria of classification can only obstruct the detection of such patterns of association as are worth extracting from the data. Consider two extreme examples of troubling “real-life situations” which could easily escape detection under a brutalist either/or system of classification using simple-minded indicators. In order to judge whether a regime which denies political and civil rights to women, and requires them to take the veil, can under any circumstances be classified as “democratic,” we are surely required to consider from first principles the range and boundaries of the concept of democracy. A similar case is that of considering whether “economic development” applies, for example, to a situation of very high per capita consumption financed by oil revenues, in which most of the productive work is undertaken by immigrants lacking citizenship rights. More typical borderline cases would be less extreme, but more common. Thus, a number of Islamic States test the universality of our standard conception of “democracy,” and the current controversy over the “Asian model” challenges some core Western assumptions concerning “development.”

Both the UNDP index and the Freedom House ratings make use of a series of partial indicators which are then aggregated according to an arbitrary formula in order to produce monotone country rankings. Depending on the issues being analyzed, and the conceptual framework of the inquiry, it may be more appropriate to work with the disaggregated series, or to combine them according to a different formula. For example, the UNDP’s educational attainment index could be of special interest both to those working with a “human capital” model of development and to those who view “civil society” as the core element in any long-term process of democratization. Alternative conceptions of democracy and development might privilege other variables.

Sensitivity to the historical variability and contextual nuances associated with these two categories can help us to interrogate the comparative data discursively.

So what techniques are appropriate for assessing long-term holistic change in a single country? How should regional and paired comparisons be structured to address such issues? Do our standard methods of sampling and data collection permit adequate analysis of citizenship issues in such critical areas of public policy as water privatization and the provision of community policing? Where causal chains are long and multiple, and where outcomes depend upon socially constructed perceptions of complex categories, too much insistence on necessary connection and mechanical

causation is likely to confuse and mislead. Other, more historical and contextual (narrative or “configurative”) methods of judgment and interpretation may help to correct such deficiencies, or at least usefully supplement standard social science procedures of objectification (such as elaboration of decontextualized quantitative indicators). If we are serious in regarding both democratization and development as normatively desired interactive processes founded on participation and consent, then we need to give due weight to methods of interpretation that take into account the understandings of the parties involved. Many developmental disasters have arisen from the past failure of donors and policymakers to attend to their discursive dimension, and some democratic regimes (e.g., Argentina at the time of this writing) seem to have fallen victim to the same insulation from social reality. Thus the case for methodological eclecticism in this field is not just an arid footnote from within academia. It arises as a necessary consequence of the reconceptualizations currently in progress and as a required response to the exigencies of realistic policymaking.

Conclusion

This brief *tour de horizon* of the scope for reconciling democratization and development has indicated some potentially worthwhile topics and some innovative approaches. But at least four big analytical questions still need to be resolved. First, how are developmental priorities to be established, and reconciled, once the traditional criterion of growth maximization has been relaxed? Second, how is good performance to be compared, evaluated, and rewarded if a variety of somewhat competing and partially subjective long-term goals are to become the centerpiece of a new drive for integrated “social development”? Third, since any realistic definition of long-term democratic and social development provokes resistance and conflict, and is therefore prone to periodic interruption and even reversal, how is such turbulence to be interpreted and (possibly) managed? (If managed, by whom, and answerable to what constituency?) Finally, since even with the most optimistic of assumptions about the pace of progress, most new democracies will for generations to come continue to include large numbers of poor citizens whose urgent social policy needs can at best only gradually be addressed, how can democratization and social development be stabilized in the intervening decades?

Merely to list these questions is sufficient to demonstrate the scale of the task required before an integrated, new analytical framework can fully substitute for the old dichotomy. Here are a few suggestions, some more robustly established than others. First, on the establishment of developmental priorities, in principle the answer must lie with the newly enfranchised citizens of these developmental democracies. No doubt they will periodically misread the available alternatives, and will make policy mistakes. But as democratization proceeds, “ownership” of the development process is bound to pass from the specialized agencies and top ministries toward the local authorities and societies directly and permanently affected. (Admittedly this assertion rests on a view

of democratization as a long-term cumulative process of social learning, rather than just as a one-off shift in the rules of governing elite circulation).

Second, on the evaluation of social development performance, international comparative indicators will remain indispensable, and will have to be further refined. But with an integrated view of development, all evaluations will need increasingly to take account of the expectations and perceptions of the citizens in question. That, too, follows from the idea that democratic development requires local “ownership.”

Third, the realities of conflict and nonlinearity in long-term processes of social development pose a severe analytical challenge that cannot be resolved purely by invoking democratic authority. Local ownership cannot be absolute. It must be qualified by respect for the opinions and experiences of others, including experts and distant donors. Social development in a liberalized international system must be cosmopolitan, and constrained within an agreed-upon framework of basic rights and values. On this view an integrated approach will require cooperation and coresponsibility across international and indeed intercontinental boundaries. A social catastrophe in, say, Afghanistan or Albania can jeopardize both democracy and development far afield, and to the opposite extremes of the alphabet. Recently there has been some progress in generating norms of conduct for managing such conflicts and reversals, but the challenges to the existing framework of international assumptions remain acute.

Finally, at the domestic level the management techniques needed to contain frustration while gradually diminishing the backlog of legitimate and unmet citizen demands can easily jar with both the standard operating procedures of the development agencies and with the impersonal logic of the market economy. Once democracy is understood as more than a simple mechanism of elite circulation, politics regains its status as an autonomous sphere of social action with its own messy logic and awkward outcomes. UNRISD is right to refer to the “visible hands” that will then “take responsibility for social development,” but more analysis is needed to distinguish the legitimate exercise of democratic authority from the old vices of mismanagement from behind a veil of good intentions. Once development is understood as a process of social construction and not just of growth maximization, then local creativity and experimentation can be celebrated. But here, too, lurk the dangers of distortion and manipulation. A strong analytical framework, grounded on solid international consensus and backed by the widely accepted lessons of experience, will be required if such experiments are to be more than cosmetic “add-ons” to development, and are not to prove costly “subtractions from” conventional growth.

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CHAPTER 3

Constructing Citizenship in Contexts of Inequality

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Introduction

Latin America has the highest inequality index in the world, a feature which has persisted through the rise and fall of economic cycles, with interventionist and neoliberal States, nationalist and globalized models, archaic and postmodern cultures, and corporative and neocorporative pacts. More than the mere absence of equality, which would indicate that there are different degrees of insertion in political society and in the market, what is taking place in the region is a phenomenon of exclusion, of the persistence of a restricted public sphere that fails to include large segments of the population.

With the introduction of democratic regimes in the region, the experience of the last two decades has proven that the mere identification of democracy with democratic regimes is problematic, and that there are limited governability possibilities in contexts in which democratic regimes coexist with high levels of exclusion and inequality.

Throughout this period, the debate on democratic governability has been unable to overcome the limitations imposed by the model of representative democracy, adopted as a standard for the redesign of the institutional framework. The thesis presented here is that only a new model of democracy, one that associates representative democracy with deliberative democracy, will provide the necessary conditions for social consensus in an expanded public sphere. This, in turn, will allow the creation of a new political pact that can support redistributive public policies. Reconstruction of the public sphere must be clearly identified as part of the struggle for hegemony and for the constitution of a new power bloc which demands new mechanisms, technologies and processes to exercise power, so as to inscribe the new power relations into the public sphere's organization. This process of interaction and transformation of both

the State and society—the two poles that together comprise the public sphere—can, and must be, triggered simultaneously.

Democratic Governability

For some years there have been attempts to stabilize the recently established Latin American democracies in a recessive and inflationary economic context. Emerging demands have been subordinate to the dictates of structural adjustment and fiscal balance measures undertaken with international financing bodies as a condition for the entry of the region's economies into the global system. We are now witnessing different popular protests that indicate the degree to which the foundations of authority and political institutions in the region have deteriorated (Fleury, 2003a).

In the course of the last few years, street protests have taken place in Argentina, Bolivia, Ecuador, Mexico, Paraguay, Peru and Venezuela, not to mention the “landless movement” in Brazil, protests in Chiapas (Mexico), and the guerrilla war in Colombia. In some cases, these protests are superimposed and/or conducted by social movements that center on particular types of exclusion; in other cases, they seem to emerge from social fragmentation itself. In most of these cases, demonstrations take place without a particular shape, and/or they reject leaders as well as traditional mechanisms for channeling conflicts. It is, then, the ordinary citizens, sometimes linked to social movements, who take to the streets, determined to impose their political will through the violence of their expression.

Calderón and Szmukler (2000), in their study of the urbanization process in La Paz, identify the urban manifestation of a historical pattern of inequalities and discrimination that arises from the confluence of three phenomena: accelerated urbanization, limited modernization and restricted democracy. For these authors, the fact that conflicts materialize on the streets can be explained by the persistence of sociocultural hierarchies. These hierarchies, in considering others as inferior, resent dialogue, promises and the process of collective deliberation. The streets become the scene for the demonstration of power by those who have been denied the possibility of communication because of norms that exclude them from participation in the public sphere. The expropriation of public spaces and the depredation of symbols of authority or economic oppression are common expressions of violence against powers which are regarded as exclusive and illegitimate.

Is it possible for these demonstrations to express resistance identities? Moreover, is it possible to transform them into project identities (Castells, 1998), making the transition from being communities created around resistance to having a projected identity, with the potential not only to reconstruct their own place in society, but to transform society as a whole in the process? Many questions may be posed in this connection, but this hypothesis certainly has implications that range from the creation of a community—and not just the manifestation of pure violence—to the possibility of transcending specific resistance, crafting political identities and organizations with the aim of reconstructing the public sphere.

In essence, the reconstruction of the public sphere implies a process that consents to the institutionalization of conflict and of its negotiation—requirements not easily accepted in our societies, neither by the dominant elites nor by the fragmented protesters. In other words, the development of a culture of democracy depends on the establishment of social actors who can develop organizational models and strategic resources that will include them in the processes of negotiating and constructing hegemonic projects. The absence of these conditions introduces authority and legitimacy crises once again into the regional scene, generating a recurrent situation of ungovernability.

At this juncture, Reis (2001) has identified three kinds of crises of ungovernability, which he refers to as “overloaded,” “praetorian” and “Hobbesian.” “Overload” corresponds to the crisis of social democracies, which began approximately a quarter of a century ago. The “praetorian” crisis refers to the conditions of institutional precariousness and political instability that marked many countries on the periphery of world capitalism during the 20th century. The “Hobbesian” crisis, in turn, is the product of the political effects of social fragmentation caused by globalization and the reaffirmation of the market, added to the penetration of drug trafficking (and consequently of urban violence, increased criminality and insecurity). For Reis, what is at stake in the third case is the preservation of order and security—a basic constitutional problem of preserving authority as addressed by Hobbes.

Latin America lives with these three different governability crises at the same time. In certain situations, such as that of Colombia, it is difficult to understand how, on both sides of the conflict, the deficient public policies that should respond to social demands are connected to revolutionary uprisings and to the penetration of organized crime. Most of the recent demonstrations that have taken place in the region protest against the illegitimacy of governments and institutions, but they fail to propose a solution outside of the democratic framework. On the contrary, they propose a “deepening” of democracy.

The governability crisis we have undergone over the years is the product of two concurrent phenomena: the exhaustion of the corporative pact that legitimized the exercise of political power within the developing State model, on the one hand, and the difficulties met by national economies in re-adapting to the ongoing globalization process on the other. The corporative pact was a political and institutional agreement that allowed the developing State to construct and maintain an alliance among conflicting interests without there being clear political hegemony and provided the conditions for promoting the process of substitute industrialization.

In the current context, in a society which has become ever more complex and with a democratic regime in force, the inability of governments to respond to the political and social demands of traditional actors, together with the emergence of new actors who are alien to the pre-existing corporate pact, have intensified the governability crisis. In addition, the traditional political actors—economic elites, the techno-bureaucracy, corporate organizations, political parties—have encountered difficulties in adapting to a new situation, in which social interests have ceased to be represented

primarily within the State (which results in social opposition) and where the logic of the market and of a global economy prevail.

Once the corporative pact was made, the social fabric began to change. There has been a transformation of the actors who were traditionally linked to, but who now claim greater autonomy from the State, at the same time that they seek to preserve traditional channels of representation. On the other hand, the new social movements and the emergence of a diversity of nongovernmental organizations and different types of associations have all created a new landscape where those who were excluded from the corporative pact seek their own forms of organization, with greater autonomy and less State control. The transition toward democracy enables this organized civil society to mobilize around the demands of its citizens.

According to Diniz (1997), the governability crisis of the 1990s can be explained by the gap between State and society. He affirms that the gap between rigid State institutionalism, with a weak potential for political incorporation, and a social structure which is increasingly complex and differentiated, has increased the tensions associated with the modernization process. A multifaceted and multipolar system to represent interests has been established, through which society is overcoming the existing institutional machinery, with the implosion of the old corporate model of social control by the State.

The economic transformations linked to the exhaustion of the substitute industrialization model were associated with the needs for liberalization of the economy, a reduction of State interventionism, an interruption of the inflationary spiral, a reduction of treasury charges and deficit and an increase in economic productivity. These, in turn, became conditions for the insertion of the regional economies into the global economy. The consequence of economic stabilization was a change in the framework of political actors, with the introduction of the bureaucracy of international organizations as a key actor in defining public policies. Dependence on the resources of international financing bodies and on their approval of economic measures makes democratically elected governments increasingly limited in their decision-making capacity, and orients them toward the pursuit of legitimacy "from the outside." As a result these governments break agreements with their national allies and frustrate the expectations of their electorate.

Lacking the political support of the actors who are linked to the corporate pact, elected governments seek internal alliances with both the traditional political elites or "oligarchies," and the new elites who are associated with providing financial capital. Paradoxically, there was less room for governments to maneuver since the privatization processes decreased the resources available for governors to help their clients. On the other hand, the cost of political campaigns increased exponentially due to the growing importance of the media during governmental elections, which has brought about the practice of exchanging financial support for satisfaction of the sponsor's interests. This has nearly legalized corruption and this particular type of clientelism.

In the context of a global economy which is subordinate to unprecedented financial market speculation which is fueled by information technologies, dependent economies have become the prisoners of a vicious cycle in which their conditions of governability

are evaluated by private financing entities, which define the risk indices for international investors. Creating the (mostly volatile) conditions to attract foreign capital investment has become a critical issue; governments depend on foreign investment to manage their currencies and deficits, even though this implies speculative increases in interest rates. This affects national producers and transforms dependent economies into net capital exporters, by way of payments on the debt acquired to secure their economic stability.

In these circumstances, an unprecedented and unbalanced hegemony has emerged: that of the interests of financial entities, which has led national economies into recession. For this reason the 1990s are now regarded as a time of extraordinary setbacks in national development, with high social costs that could only be alleviated through poverty-fighting programs. However, the concentration of wealth has not shifted in the process: only its distribution has been modified, which has had a negative impact on the productive sector and concentrated the profits in the hands of finance capitalists.

The recent debate on the conditions of governability in Latin America has tried to distance itself from the conservative matrix that produced, during the 1960s, an intense controversy about the relationship between modernization, development and governability. At that time, the need for order—regarded as indispensable to secure economic development—became a value that justified authoritarian political solutions (Huntington, 1968; Fiori, 1995; Reis, 1995). The new debate on governability in the 1990s once again focused on the need to construct order, but within a more complex setting, because now the challenge is to preserve democratic order. Thus, the notion has gained a more contemporary adjective, becoming “*democratic* governability,” distancing itself from authoritarian solutions and from the conceptual restrictions that limited it to the mere capacity of the State to govern.

Democratic governability, therefore, is now viewed as a democratic system’s capacity for self-government and for positively addressing the challenges and opportunities presented to it (Prats i Catalá, 1996). The current challenge is to construct a different institutional order, which must necessarily be open, conflictive and pluralist (Calderón, 1995a).

The issue of governability includes strengthening the government’s capacity to secure public goods in a society, as well as the existence of shared norms and values—nowadays called “social capital”—which organize collective interactions, generating the conditions for cooperative action among different social actors and agents. Institutions (whether formal or informal) and organizations are social constructs crafted to reduce uncertainty in human transactions (North, 1990). This way, they bring about cooperation and affect the final performance of the economy and political institutions (Putnam, 1993).

The traditional explanation for Latin America’s chronic governability deficit is that there is an excess of demands produced by democratization, which creates an imbalance between emerging demands and the available resources. The hypothesis advanced by modernization theory, by which rapid modernization may lead to a revolution in the field of growing expectations, assumes that economic development is a

condition for the preservation of political democracy. Following the 1970s, critics of modernization theory have come to the conclusion that there is no specific desirable level of economic development that constitutes a prerequisite for democracy (Altman, 2001). To this one could add Amartya Sen's (1999) conclusion after analyzing the evidence gathered during his research on the relation between economic development and democracy: "If all the comparative studies are viewed together, the hypothesis that there is no clear relation between economic growth and democracy in either direction remains extremely plausible."

Several analysts hold that the frailness of the Latin American political-institutional architecture—in particular, the absence of the rule of law and the weaknesses of the party system, together with the precarious functioning of parliament—has its origin in the region's governability deficit. For these authors, governability is a product of the institutionalization of democracy. The identification of democracy with the rule of law is espoused by O'Donnell (2001), who asserts that democracy is not just a democratic regime, but also a particular mode of relationship between the State and the citizens, and among citizens themselves, under a type of rule of law which, together with political citizenship, supports civil citizenship and a complete accountability network.

Civil and political rights therefore constitute the main support of pluralism, in addition to consolidating power relations between individuals and associations. Expansion of these rights to all citizens within the framework of the existing rule of law would thus constitute, together with the conditions of accountability imposed upon the exercise of power, a precondition for regarding individuals as legal subjects, or citizens, with rights and duties derived from their political association and, consequently, as the bearers of personal autonomy and responsibility for their acts.

The heart of democracy lies in the expansion of civil rights and in the effectiveness of State authority to extend it equally to the entire national territory. According to O'Donnell (2002), some "brown" areas still persist in many Latin American democracies which are not reached by the State's authority, and in which personalist, patrimonialist and mafia-type power relationships prevail. In these cases, the State is territorially transitory, and bureaucracies are colonized by private interests.

Finally, some authors emphasize that the persistence of a restrictive economic model, marked by calamitous indices of inequality and exclusion, is the central factor in the weakening of democratic institutions, the sustainability of which should be based on a minimum level of equality among citizens. The inability to respond to emerging social demands with the democratization process, added to the adoption of increasingly restrictive measures that alter pre-existing levels of social benefits, subjects citizens to a lucrative logic that excludes growing sectors of the population from formal working conditions and social security. Instability, insecurity and the insensitivity of leaders are characteristic of life in the region's large metropolises, which, in turn, increases the threat of ungovernability.

In the case of Latin America, where social and economic development is notorious for high levels of inequality and exclusion, democratic governability cannot be separated from the search for solutions for social inclusion and the reduction of inequality. The creation of mechanisms for social inclusion—defined by Calderón (1995a) as a

society's capacity to construct an active citizenship, eliminate discriminatory market barriers and disseminate a culture of solidarity—is, once again, the answer from a political point of view.

Likewise, one of the singular aspects of the process of democratic consolidation in Latin America is the re-emergence of opposition among the different elements that comprise citizenship, thus opening up articulated courses of action that are rife with contradictions. Whereas political rights are practically universal, civil rights are not yet guaranteed, and social rights often suffer setbacks as a consequence of recessive economic adjustment programs.

The fact that civil rights preceded political rights in developed countries, while in Latin America the inverse process is being experienced, led O'Donnell (1998) to identify Latin American democracies as noncivic, with a predominance of a low-density citizenship. Civil rights and political freedoms are the main pillars of pluralism and diversity, in addition to creating the conditions for the exercise of bureaucratic authority which is accountable for its acts. For these reasons, O'Donnell's proposal is aimed at achieving civil rights as a matter of strategy for the consolidation of democracy in the region, assuming that inequality is also caused by the absence of the rule of law.

However, the distinction between adopting legal reforms and strengthening the rule of law demonstrates that the problem does not lie in the lack of a legal framework, but in the uses and abuses of the legal system, which tolerates the impunity of the powerful, the corruption of public officials and the application of the law as a form of punishment for the politically unprotected. Da Matta (1983) has discussed the prevalence of this hidden institutionalism, which operates like a norm because it organizes social interactions on the grounds of inequality (ingrained in the power hierarchy in force) and not on the grounds of equality, which is enshrined in the law.

More than the construction of a strengthened institutional framework, what comes to light here is the extreme segmentation of civil society, which leads Oxhorn (1998) to affirm that, in contrast to the virtuous circle that incorporates citizen rights described by Marshall (1963) for the British case, democracy in Latin America continues to restrict the potential of civil society. There is no consistent theoretical or historical evidence whatsoever for holding that the construction of citizenship in the region must, in the first place, secure civil rights through the construction of formal democracies, and thereafter address the distributive problem, securing social rights.

In contrast, the social field was and continues to be the place where social actors seek to introduce their needs into the political field, which are politically transformed into demands. In the same way, it is through social policies that the State addresses citizens, giving new significance to conflictive issues through appropriate technologies, depoliticizing the demands raised before it, and ultimately redefining the meaning of citizenship.

In recent years, the social policy mechanisms that were assembled during the application of the corporative pact (the period of social reforms) were dismantled in Latin America with a level of acceptance that is unprecedented in other societies. This phenomenon was caused by several factors: for example, the identification of benefits as privilege, bureaucratization and clientelism as prevailing practices, not to mention

corruption and the inability to respond to the new citizen demands through these mechanisms.

Democratic demands served to channel the protests to construct a new pattern of social policies that were free from the tutelage of worker conditions, so as to become universally associated with the condition of citizenship. In some countries, these demands were reflected in the constitutional legislation of the emerging democracies, and in universal, decentralized and participative social policy systems. However, the State's fiscal crisis, the prevalence of liberal thought and the alignment of international organizations with social policies, together with the retreat of activist social movements, were enough in recent years to bring about a wholly new pattern of social policy for the region. This pattern is marked by the segmentation of social policies in accordance with each social group's purchasing power, so that we end up with dual social service systems—that is, public services for the poor and market services for those who can pay. The absence of mechanisms for solidarity between the rich and the poor places an enormous burden upon the State, which must cover the costs of poverty.

We are consequently witnessing the breakdown of the solidarity between the middle classes and the poorer population that was crafted during the populist period. At the same time, this segmentation of social policies translates into different conditions of citizenship, and it entails a perpetuation of the separation between “social rights” for those who have resources (during the populist era resources were largely political, and now they are financial) and “social benefits” for the poor, who have no rights.

The deterioration of the living conditions of the middle classes, the instability of the employment market, the inability of assistance policies to fight poverty, and the inefficiency and precariousness of universalized care systems lead the population to continuously find new ways to organize around social issues. The constitution of political actors, organizational models, and innovative articulations among the State, the market and the community demonstrate that citizens' awareness and participation are being processed in the field of policies and social rights, and reaffirm that this continues to be the path toward the construction of democracy.

For Genro (1997), citizen protest begins as a process of building thousands of organizations that promote the self-organization of the community around its specific interests, predominantly located in the sphere of reproduction, thus creating a non-State public sphere that generates new, alternative forms of autonomy and inclusion. These organizations are mediators of citizens' direct political action and, in turn, they create the conditions to institutionalize citizens' interests and reform the exercise of political power at the local level. The thesis presented here is that the construction of democracy in the region has introduced the citizen-led claim of a fifth-generation right, which transcends civil, political, social and expanded rights, namely, the right to demand deliberative management of public policies, in particular, social policies.

Up to now, it is unknown which mechanisms are required to construct a new institutional design for the State that allows the articulation of this new reality of local power into a political pact that not only guarantees the governability of the national State, but also strengthens its position in supranational forums. However, this hypothesis should not be excluded given the capacity for social innovation and transformation

of the public sphere at the local and microsocial level. Today, the local level is a laboratory for political and administrative transformations, many of which later become generalized in the national context.

The creation of conditions for local governability, and even the transformation of the State at this level, cannot hide the current problem of governability at the national scale. The proposal advanced here implies that democratic governability at the national level depends on the capacity to introduce, also at the national level, the mechanisms of deliberative democracy that allow social inclusion and the construction of a new power bloc.

A New Paradigm for Democracy

The Expansion of Citizenship

The democratic public sphere, as symbolic of relational order, is a space where persons affirm their identity and exchange values that give sense and direction to their actions (Fleury, 2003b). The equality required in the public sphere is constructed politically, since what is found in human nature is “difference” (Arendt, 1958).

Citizenship, as a legal-political hypothesis made possible by the nature of the modern State, was the most important instrument for reconstructing the totality (or the community) required by social integration (Fleury, 1994). Its mediation, together with the system of representation and the institutions that stemmed from it, configured the democratic institutional architecture, and allowed the emergence of what Habermas (1989) labeled the “repoliticized social sphere” or “State-social” sphere, where State and social institutions are synthesized to form a single, nondifferentiated complex. This refers to the dissolution of the liberal distinction between the public and the private spheres, between the State and civil society. However, these dichotomies can be overcome only insofar as differentiations are not hidden, and if the aim is the notion of an expanded State (Buci-Glucksmann, 1980), which does not evade the issue of conflicts over power and their material origins—given that hegemony not only excludes, but also requires, domination and coercion.

Regardless of their material causes, inclusion and exclusion processes are based on a symbolic or “civilizing” dimension through which the rituals and rules of inclusion and exclusion are defined and reproduced within a political-legal community (of citizens) which is, essentially, a community of meanings (Fleury, 1998).

The political-legal equalization achieved through citizenship status provides legitimacy to the exercise of power, at the same time that it denies social stratification and collective actors. This places the individual in an absolute position as the material bearer of the rights and duties of citizenship. However, this effect of obscuring the dynamics of conflict in a society of classes is unrelenting, given the impossibility of realizing the equality presupposed by the notion of citizenship—a contradiction which constitutes, in fact, the central core that animates social dynamics and demands a new democratic institutionalism for the State. In spite of this, citizenship, like any other

classification system, incorporates inclusion criteria which must also be seen as exclusion criteria, since the parameters that define inclusion in a political community and the enjoyment of rights are, at the same time, the ones that sanction the rules of exclusion.

The construction of a common identity, one that overcomes differences, is not exempt from differentiating the identity group from other social groups; consequently, a system of privileges emerges, enjoyed by those who were included in such a politically constructed community. Wallerstein (1998) has identified a shift in citizenship from a system of exclusion based on an open class barrier to a system of inclusion/exclusion with a barrier that is national in character, which in his view is tantamount to a hidden class barrier. Internally, nationalism, racism and sexism also function to exclude racial groups and women from the condition of equality guaranteed by the condition of citizenship.

Even though the condition of citizenship has not been universally distributed in any society, the notion has important consequences, as seen in the diverse dimensions that comprise citizenship, as well as in the current calling into question of its civic, egalitarian, legal, institutional and historical dimensions.

The civil dimension relates to active inclusion of citizens in the political community, in which a system of beliefs is shared about public powers, society and the set of rights and duties ascribed to the status of citizen. Citizenship is the public side of individuals and assumes a model of integration and sociability that transcends the egotistic interests of individuals in the market, in favor of an attitude of generosity and solidarity.

The transition from a community of primary interpersonal relationships to an abstract community of citizens was achieved through rational and affective participation, in a political community that was formally constituted as a nation-state. In complex societies, the transfer of civic values (such as responsibility and tolerance) and of the information necessary for active inclusion is a condition that must be met by all elements of the socialization process, in particular, the educational system, the family and the mass media. However, the existence of incentives for civic behavior and of sanctions for "cynical" behavior (ranging from "free-riders" to amoral familism) seems to be decisive for the predominance of one or the other attitude in each society.

The tradition based on Rousseau considers democratic participation the best route for teaching responsibility and tolerance. More recently, studies on social capital have revisited the topic of cooperation based on the relations of trust established within horizontal networks of civic participation (Putnam, 1993). However, the current predominance of individual and consumption values returns to the republican ideal, which naturally appreciates political participation, viewing it as the necessary cost for preserving private life (Kymlincka and Norman, 1997). In contrast, the highly differentiated current distribution of information, political resources and wealth, and the existence of systems where "cynical" values prevail, especially among the political elites (Reis and Castro, 2001), point toward a progressive reduction of the civic component of citizenship, which is the basis for building a cohesive and integrated community.

Paradoxically, the development of the social welfare state has been identified as one of the causes for the reduction of civic-mindedness, for the following reasons:

- It contributed to the erosion of solidarity values by changing class structures. It granted progressively more weight to the professional middle classes that it incorporated as service providers, to the detriment of collectively organized workers who demanded greater social justice;
- It reduced the emancipative perspective of citizenship to a slogan on consumption, transforming active citizens into passive consumers.

Both factors were, in addition to others, responsible for changes in sociability which led to the current materialistic individualism, an expression of the erosion of collective identities.

In the debate on citizenship theory, there is opposition between those who value active citizenship, understood as the participation of subjects in a “dialogical” community, and those who espouse passive citizenship, understood as an entitlement to goods and services secured by rights (Crouch, 1999; Kymlicka and Norman, 1997). This opposition between the civic and legal dimensions is, in my opinion, incorrect and arbitrary, insofar as citizenship (understood as the public dimension of individuals) recovers the mediation between State and society, and it materializes into a set of rights and duties which, consequently, restore and revitalize the political community.

In the first place, more than a listing of rights and benefits, the legal dimension of citizenship entails the more abstract notion of the “right to have rights,” a condition confused with inclusion in the political community; likewise, the discovery and struggle for rights raises awareness of citizenship status. In the second place, the inclusion of social rights in the condition of citizenship transformed and diversified the public sphere by including the interests of dominated sectors within its scope. Citizenship, as a process of inclusion in the political community, is the expression of expansion of hegemony, through which a restricted State becomes an expanded State.

The liberal public sphere included rights based on the supposed natural state of mankind, by virtue of which freedom would precede sociability. In contrast, as pointed out by Bobbio (1993), social rights are not restricted to the generic freedoms of individuals, because they are also exercised by specific persons or groups in society. Consequently, social rights are expressed through demands for public intervention.

Contemporary democracies underwent profound change with the development of social welfare systems, which deprived market criteria of their monopoly over the regulation of social solidarity. This brought about a modification in the nature of the State and in its relations with the economy (Procacci, 1999; Esping-Andersen, 1990).

The emergence of fourth-generation rights, or collective rights, breaks with the individual encapsulation of citizenship, allowing its displacement as a national reference that incorporates the State, the population and the territory. This changes the dimensions of the public sphere and positions it at the global scale. For Castells (1998), the information technology revolution allowed the globalization of strategic activities, which could operate in unison and in real time. The internationalization of financial

markets, the transformation of work relations, the privileged place occupied by markets and the weakening of governmental capacities are all consequences of this process, which will result in the creation of a network society marked by greater citizen exclusion and vulnerability.

For Vargas (2001), however, the dynamics of exclusion/inclusion are fueled and renewed by the ambivalent effects of globalization, which excludes and includes at the same time. The construction of a global civil society with its corresponding global citizenship would overcome the exclusion which is inherent in identifying citizenship with nationality, and it would imply diversity. Social movements would be the seeds in the formation of this global civil society.

The loss of national reference in an increasingly differentiated and polycentric society is also a critical matter for social cohesion. On the one hand, the State's loss of monopoly over power can be seen as a process of fragmentation that threatens cohesion; on the other hand, some authors view decentralization, subsidiarity and delegation strategies as the only way to conciliate citizenship and community, recovering active citizenship as the core of this notion. Crouch (1999) holds that whereas the elites are able to organize themselves and participate at the national level, the popular masses can do so only at the local level, which introduces inequality and poses an obstacle to the fulfillment of citizenship.

Social movements attempt to find the organization that enables them to make ever more frequent demands for the construction of a democratic global public sphere (the best example being the World Social Forum). One can observe that coexisting with such movements, which have global citizenship as their goal, is a political citizenship at the national level which is increasingly restricted by supranational institutions that control the exercise of political power, subordinating the national State to their dictates.

The tension between the local, national and global spheres defines new territoriality for citizenship, the development of which does not prevent the demand for different rights at different times (human and environmental rights at the global level, political and social rights at the national level, and deliberation rights, or fifth-generation rights, at the local level). If this thesis were correct, the phenomenon could even bring about dissociation, and perhaps opposition among the different components of citizenship. Although the circumstances were different, there are similarities to the opposition between civil and social rights in 18th-century England (Marshall, 1965). The image of fragmentation created by coexisting political spaces in a polycentric reality, combines with issues related to the acceptance of diversity within an egalitarian notion such as that of citizenship.

Legal and political equalization of the condition of citizenship opened up debate about the notion of equality, understood by liberals as natural and opportunity-based (Friedman and Friedman, 1980), or from a social democrat perspective as result-based. The permanent tension between freedom and equality, which are the foundations of citizenship to which solidarity is associated, gives rise to different notions of democracy that can emphasize the freedoms inherent in possessive individualism, equality of substantive results, or the autonomy of individuals.

The principle of freedom allows an understanding of democracy that emphasizes the establishment of a set of rules for the exercise of political power and the need to abstain from discriminating among citizens' preferences, as defined in Dahl's (1971) polyarchy. It underscores the precedence of the rule of law over all other citizen rights, as postulated by O'Donnell.

The notion of democracy that favors equality attempts to guarantee the substantive results of citizenship, even though this may entail greater State intervention and the homogeneous treatment of citizens by bureaucracy. Sen (1992) considers that both the subordination of freedom to equality advanced by the libertarians, and the subordination of equality to freedom proposed by egalitarians, would be, in both cases, categorical errors, since "liberty is among the possible *fields of application* of equality, and equality is among the possible *patterns* of distribution of liberty"—a contradiction that disappears once the notion of capability is introduced. However, lacking the notion of the condition of the individual, capability ceases to refer to political and institutional dynamics and becomes an ethical argument.

Understanding citizenship as the emancipation of socially constructed individuals identifies citizenship as a state of full autonomy, which is not a general and universal state, but a path toward the acceptance of otherness, the enjoyment of which is mediated by a permanently reconstructed institutionalism. This active and permanent reconstruction of institutionalism and of the public sphere itself requires the acceptance of singularities and differences, as well as the transformation of spaces previously regarded as private into public ones. In this sense, citizenship must be considered in its full and contradictory complexity: between the individual and the collective; between the public and the private; between homogeneity and singularity. Chantal Mouffe's proposal for a radical democracy develops a theory of the decentered subject, made up of the intersection of a multiplicity of "subject positions," which demands, in turn, recognition of differences, of the specificity of the universal. Citizenship ceases to be considered as a merely legal status, and, to paraphrase Mouffe (1996), it is understood as the common political identity of individuals, who may be focused on several undertakings with different ends and different notions of the good, but who, in seeking their satisfaction and in performing their actions, submit to the rules prescribed by the republic.

Understanding citizenship as a shared identity also presupposes the equality and inclusion of individuals in the political community. Even though the systematic persistence of a certain degree of inequality was the engine of development and made the notion of citizenship itself more complex, the disregard of groups and populations excluded from the common community of citizens—women, Afro-descendants, homosexuals and ethnic and religious minorities—requires that we consider differences in the debate about citizenship.

While the egalitarian notion of citizenship served to conceal exclusion, the homogeneity of treatment dispensed through the impersonal and bureaucratic administration of the social welfare state had the effect of normalizing society, denying differences in the demands and singularity of subjects. This way, universal citizenship is denounced as a barrier to the expansion of democracy in our time (Mouffe, 1996) because it is

incapable of incorporating current demands such as “complex equality,” advanced by Walzer (1983), or “differentiated citizenship,” proposed by Young (1989). In this last case, Young asserts that true equality demands the recognition of group differences; he proposes, based on a differentiated system of citizenship, the creation of public funds to offer different forms of defense, guaranteed representation for oppressed groups, and the use of differentiated policies to attend the special demands of such groups.

The proposal for differentiated citizenship as a means of attending to the needs of excluded groups gave rise to serious concerns about social cohesion and building a political community on the basis of issue-specific demands. Likewise, policies to fight exclusion were depicted as being in opposition to universal policies, generating false antagonism. These concerns have only recently begun to fade through the design of selective policies that favor excluded groups and at the same time allow their inclusion in universalized social protection systems. For Kymlincka and Norman (1997), special representation rights and multicultural rights would not threaten social cohesion because they are claims for inclusion, whereas rights for self-government could, indeed, erode the integrative function of citizenship.

The debate over the attributes of citizenship that were identified by criteria of a masculine universe generated the notion of “differentiated citizenship,” which expresses the demand for collective representation of oppressed groups (Young, 1990). Telles (1994) holds that the denial of citizenship to groups of the population implies that civil spaces for recognition and for forming bonds are also absent. Because it is difficult to formulate everyday dramas in the public language of rights, there is a tendency to place these experiences on an equal footing with private moral codes.

The identification of citizens with hardworking male providers has as a consequence the construction of a public sphere which is outside of the family environment of women’s work and family life, which are still considered to be part of the private sphere and in which State regulation and citizen rights are absent. This identification of citizenship with the white, male provider is based on the liberal notion of citizen autonomy, considered an individual attribute of productive workers; those who are regarded as economically and/or socially dependent are excluded.

Criticism of a principle of autonomy that does not consider social dependency as an intrinsic condition of survival in society has been expressed both by the feminist movement and by those who defend the expansion of citizenship to persons with physical disabilities. Both groups demand their inclusion as citizens and have presented a number of demands regarding rights and benefits; these benefits are not yet guaranteed for those who live with physical impairments or who work in the domestic sphere.

The displacement of work from its central place as the organizing principle of sociability and the restructuring of production relationships, with implications for the flexibility of labor relations, contribute to breaking the narrow limits of the space of citizenship. This can translate into the separation of citizenship from the working condition, and allow for the inclusion of different demands and social groups.

Civil society is reinvigorated insofar as there are guarantees for the diversity, plurality and autonomy of organized subjects, who meet, interact, and seek to insert their interests into the public sphere. In this sense, the public sphere is not identified merely

with civil society, understood as the autonomous institutions that mediate the relation between the individual and the State and that, in addition, judge State actions in a rational and moral manner (thus constituting a midinstitutional level, much like Tocqueville's political associations). There is currently a strong tendency to seek the essence of the public sphere in the autonomous organizations of civil society, as opposed to the heteronomy of citizenship, which is defined by the State.

It is in the democratic public sphere that one finds the interaction between a strengthened civil society and the political and institutional mechanisms that are sensitive to its demands. These mechanisms, in turn, influence the public policies that transform power relations and the corresponding administrative practices.

In their study of new social movements, Foweraker and Landman (1977) confirm the central role played by rights when it comes to modeling new social forms of thought and action by social organizations, which universalize individual demands and disseminate the perception of rights through collective action. Therefore, if democracy cannot dispense with the liberal dimension, represented by the defense of basic individual freedoms, the legalization of political relations is an inevitable consequence, given that freedoms are objectified within a body of positive rights and State institutions.

The struggle for inclusion in citizenship, initiated by social movements and organizations on the basis of their needs and of the inability of the State to attend to them, has been the main factor in the dynamism and transformation of both society and State in Latin America. It is worth noting that Marshall addresses the institutional dimension of citizenship, something that is often forgotten by his critics, who identify him only as the spokesman for legal citizenship.

It is impossible to ignore that State bureaucracy is necessary, as it is the foundation that supports political equality of citizens. However, citizenship cannot avoid being subjected to State regulations, thus losing its subjective and emancipative dimension. Whereas patrimonial administrations are characterized by the private use of public resources and by the personal and individual criteria to assign such resources, citizenship presupposes differentiation between the public and the private/personal interests by adopting objective and universal criteria for the distribution of public resources on the basis of contractual relations and universal access to decision-making (Fedozzi, 1997).

However, the exclusivity of mechanisms of territorial representation and the existence of a Weberian type of bureaucracy must be overcome if we are to build a revitalized public sphere. Such a bureaucracy provides the material supports of universal citizenship, but has proved unable to include many excluded groups in the public sphere. Active inclusion in a pluralistic public sphere requires a new type of institutionalism that allows for the transformation of simple equality into complex equality, of universality into diversity, and of traditional democracy into innovative forms of participation and for comanagement to be applied in decentralized governmental structures.

A representative system that has a territorial base and electoral competition is indispensable to securing plurality and democratic representation, but such a system is inadequate in addressing unequal distribution of resources and social exclusion. This can be mitigated by a combination of a territorial representation system with corpo-

rate or group representation mechanisms. However, the creation of new institutional arrangements which combine the representative system with direct participation by self-governed public entities is necessary in order to transform societies in which the power structure is marked by centrality, inequity and exclusion.

In this sense, the democratization of the public sphere must take into account certain critical aspects, such as citizen participation in the collective decisions that affect the political community. This process is protected by a body of recognized rules which, more than just being accepted, are collectively crafted to solve the issues of interest representation and conflict negotiation.

The strategies advanced as the most appropriate ones, which involve decentralization, municipalization and participation, may fall into a vacuum of technocracy or voluntarism if they are not evaluated for their political orientation and their capacity to generate a new technical base which can mobilize society's potential for organization. In other words, citizen participation will be limited to mobilizing and constructing social identities if it fails to alter the distribution of power and social wealth, and at the same time to transform the structures of State and society so as to institutionalize the inclusion of emerging subjects. In this case, the lack of correspondence between community mobilization and the transformation of the public sphere with the inclusion of new subjects tends to deepen the legitimacy crisis for public institutions and to generate persistent crises of ungovernability.

At present there is a demand for direct participation of excluded participants, which constitutes a fifth-generation right and requires the construction of a new, deliberative democratic institutionalism for shared public management. This begins with the establishment of a standard for evaluating how public policies address the problems of building the democratic public sphere, and which ones are related to the expansion of citizenship and issues that concern integration, participation and distribution. In this context, it is impossible to exclude the productive from the political sphere of citizenship, since that is where economic and power relations are defined. Thus, the evaluation criteria for public policies will reflect their capacity to alter existing power relations and to allow the transformation of the State's bureaucratic structures and of social organizations with the aim of constructing a democratic public sphere.

Having analyzed current tensions in responding to the challenges posed by social struggle and by the profound changes to the institutional structure of political and power relations, we can reiterate that citizenship constitutes the necessary analytical structure for integration into a democratic, pluralistic and diversified public sphere. This integration is based on the reconfiguration of citizenship and incorporation of the demands that have historically been associated with all of its dimensions.

The Representative and Deliberative Models of Democracy

The major industrialized countries achieved governability on account of the development of a set of institutions which made it possible to resolve the conflicts that were inherent in class societies with legal-political structures based on the principle of

citizen equality. According to Przeworski (1991), capitalist democracy simultaneously structures political activities in the shape of political participation, and it limits political conflicts to short-term material questions. It generates conflict over material questions at the same time that it suppresses conflict about those issues.

The structuring of political activities, which permitted the compatibility of democracy for the masses with capitalism, was described by Offe (1984a) as a derivative of two institutional arrangements which facilitated the mercantilization of politics and the politicization of the private economy, namely, competitive party politics and the Keynesian welfare state.

The liberal version of democracy, which was the dominant model in the 20th century, distances itself from the classical origins of the concept, understood as the government of citizens and based on criticism of despotism. In the classical tradition, the foundation of political power is the notion of popular sovereignty, defined by Rousseau as the inalienable and indivisible public will (Bobbio, Matteucci, and Pasquino, 1995). Participation is regarded as one of the individual freedoms of citizens, which includes, in addition to the rights to express their own opinions, the right to gather and meet in order to influence the country's politics, the right to elect parliamentary representatives and the right to be elected.

Schumpeter (1984) criticizes the classical notion of democracy that is based on the realization of the common good, and defines it instead in procedural terms. He holds that the democratic method is an institutional arrangement for arriving at political decisions in which individuals acquire the power to decide by means of a competitive struggle for the people's vote. In this same line, Bobbio (1986) asserts that democracy is a set of rules that establishes who is authorized to make collective decisions and what procedures are used to make these decisions. In his view, majority rule is the fundamental rule of democracy.

Democracy's loss of moral content grants an absolute nature to its formal and procedural aspects, to the detriment of the values related to the common good, equality and citizens' active participation. The rules of democracy indicate how to reach decisions, but not the content of such decisions. The institutional model that embodies this notion of democracy is that of representation, by which individual will is expressed through votes for alternatives offered by political parties, thereby authorizing the legitimate exercise of power.

The notion that representative democracy is an efficient mechanism for aggregating interests and resolving conflicts is increasingly discredited. To this one should add the impossibility of making governments sustainable on the basis of aggregating votes so as to obtain majorities, bearing in mind the governability problems that arise because of mistrust of governmental authorities and public policymaking processes. Certain factors, such as the growing veto power of capital, the high degree of complexity, bureaucracy and use of technology in the governmental planning process, or the informal negotiations between interest groups and bureaucrats, can be pointed to as the main reasons that representative democracy has a low potential to bring about political unity (Offe, 1984b).

Hirst (1992) points out that representative democracy is limited by the absence of mechanisms to secure accountability and the population's influence and possibility of participating. He defends corporatism as a functional representation of interests; among its advantages are that persons who are not purely professional politicians can gain entrance into the political class, and the democratization of their informal influence, which presently only exists for the most powerful groups. His proposal is a virtuous combination, based on a functional differentiation between representative democracy and the corporate mechanisms of representation of interests:

Thus, we do not need to have fixed social orders in order to have effective corporatist representation. That would only be true if we see corporatism as performing the same tasks as representative democracy and, therefore, look to create a formal and truly socially 'representative' corporate chamber or assembly. Corporatism should supplement but not supplant representative democracy. It has quite different functions: corporatist forums serve to facilitate consultation (and therefore communication) and coordination (and therefore bargaining) between social interests and public bodies. They serve as channels for the reciprocal influence of governing bodies and those governed. That permits the governed influence and the governors the means of effectively orchestrating policy whilst minimizing coercion. (Hirst, 1990; p. 15)

In the view of Hirst, the purpose of corporatist forums is not to legislate or to supervise the government; rather their objective is consultation, coordination of economic activities and negotiation of gains and sacrifices.

Certain universal phenomena, such as the loss of legitimacy of democratic institutions like parties and parliament, the increased fragmentation, complexity and self-organization of civil society, and the reduction of the power of national States, have recently given rise to a growing demand for a new and radical form of democratic institutionalism which is capable of introducing the right to participation as part of the condition of citizenship.

In addition to the lack of material conditions to secure consensus, if one considers the current relationship between State and society, it turns out that today's context is profoundly different from the stage of Keynesian social democracy, given that politics have been decentered, shifting the emphasis from the State decision-making process to everyday practices. Several authors single out the deep cultural transformation represented by the active role of social movements in the expansion of politics, in the recognition of cultural diversity, in the questioning of representative democracy's capacity to represent specific agendas and identities, in sum, to represent "the difference" (Santos and Avritzer, 2002).

In the decadence of a certain logic of politics, which corresponds to class politics, Fraser (2001) has identified a displacement of the axis of social claims, which started with redistribution and ended with the recognition of identities and differences, including issues of gender, race, ethnicity, sexuality, etc. The current times are marked by the pursuit of a new institutionalism for democracy, which is capable of simultaneously attending to the principles of recognition, participation and redistribution. The

concern is to find articulation between social innovation and institutional innovation that would provide democracy with a new institutional framework. Democracy is now seen not as a procedure, but as a social practice through which collective identities are constructed and a new logic of social organization permits the redefinition of social bonds, the inclusion of new issues and actors and expansion of the political field.

More than a set of rules, democracy implies recognition of “the other,” inclusion of all citizens in a political community, the promotion of active participation and the struggle against all forms of exclusion. Ultimately, democracy requires the prevalence of a principle of social justice, regardless of political subjects and institutions. In situations of high complexity, it is recommendable to opt for a democracy that is crafted around strategic consensus, in which politics are negotiated with the different social actors who intervene in the process and whose interests are at stake. This would entail the emergence of strong expectations and highly contradictory interests, especially in societies with a high degree of social and economic fragmentation. Socioeconomic inequities are the result of a long tradition of authoritarian and exclusive political cultures. In these cases, only a radicalization of democracy, which, owing to an open and institutionalized negotiation and/or deliberation game, includes those who had been isolated from power, is capable of breaking the vicious cycle of politics, marked by the alienation of citizenship, the lack of representative responsibility and the authoritarianism of bureaucracy.

This operative model satisfies the requirements of the model identified by contemporary democratic theory as “deliberative democracy.” According to Elster (1998), the re-emergence of the notion of deliberative democracy, after so many years of dominance by the representative democracy model, has been influenced by Habermas’ theoretical work and his discovery that in the debate between free and equal citizens it is possible to transform preferences, instead of simply adding them up. Habermas (1996) asserts that the democratic process is not based on universal rights or on ethical substance, but on the rules of discourse and the forms of argumentation, the normative character of which stems from action that is oriented toward the pursuit of understanding. In this sense, in addition to the aggregation of interests, democratic procedures would make it possible to transform such interests by way of exchanging information and arguments.

In contrast to the model of representative democracy in which participants abide by previously accepted rules in order to choose among alternatives, in deliberative democracy it is the rules themselves that are the object of deliberation. The only previously accepted rule is that the collective decision-making process must include the participation of all those who will be affected by the decision, or of their representatives. This would be the democratic component. In turn, the deliberative component is based on the development of the decision-making process through the arguments made by participants who are committed to the values of rationality and impartiality (Elster, 1998).

Deliberative democracy is defined by Cohen (1998) as the collective decision that stems from arrangements of binding collective choice established under conditions of free and public reasoning among equals who are thus governed by such decisions. The

deliberative model is a substantive, and not merely a procedural, notion of democracy, and it includes values such as egalitarianism and social justice. "The participants are substantively equal in that the existing distribution of power and resources does not shape their chances to contribute to deliberation, nor does that distribution play an authoritative role in their deliberation" (Cohen, 1998; p. 194).

Great emphasis is placed on the exchange of information among participants, which would allow for a transformation of their points of view and for arguments to defend their positions, thus favoring understanding and broader consensus. This decision-making process is not designed for choosing among alternatives, but for generating new alternatives, thereby leading to greater social innovation. Finally, it is hoped that the decisions adopted in this way would favor greater redistributive justice and be more sustainable.

In order to make the consensus process viable, it is necessary for participants to adhere both to the values of deliberative democracy—namely, recognition of "the other," participation and redistribution—and to building an approach that ensures that these values are realized in discourse and exchanges among participants, whether they belong to the government or to society. Calderón (1995b) establishes these procedures in what he labeled the "logic of conflicts," which includes the adequate means to explain conflicts and to inform society as a whole about them; channels for the active participation and representation of all interests, actors and arguments; the actors' awareness that all negotiations reflect the will of the parties to respect the agreements reached, which entails mutual concessions; prior consensus on certain metavalues that allow the resolution of conflicts to be carried out in a common language; the existence of a clear and effective system of sanctions for those who do not respect the agreed-upon terms; and the adequate definition of conflicts that demand some level of technical expertise for their resolution as a precondition for deliberation.

The advantages of deliberation are described as the exchange of information among participants, the introduction of rational justification of social demands, and an increase in the moral and intellectual qualities of actors. Deliberation also favors consensus that includes broader interests and, therefore, tends to promote redistributive justice. The limitations of deliberation are derived from its possible ineffectiveness, the reinforcement of corporate positions, and the difficulty in reaching consensus. But once equality among participants is secured, inequality itself ceases to be discussed.

Proposals for the Debate on Democratic Governability

Governability, Democracy and the State

The debate on democratic governability approaches the issue of the State as one of its central features, whether in its legal dimension as the guarantor of the rights and duties of citizens and of the universal application of the law, or as an authority that constitutes a network of political institutions that are capable of processing and applying political decisions within the context of democratic legitimacy.

In the first case, the emphasis is placed on the legal system, which ensures that all preferences are given the same weight and are considered when political choices are made, and which also guarantees that no individual, not even a political authority, is placed above or beyond legal rules. In this case, governability can be measured by the existence of the following conditions: application of the rules to all individuals in the entire territory; free elections, in which individuals can exercise their options; a competitive party system that presents different alternatives; freedom of information to form opinions and preferences; accountability of the governors; and the guarantee of civil and political rights for all citizens.

In the second case, the focus is on the form and function of public institutions and their ability to guarantee the conditions for representing interests. Institutions develop the solid majorities that are capable of supporting the government in the implementation of efficient public policies that promote the public interest.

Both approaches adopt a Weberian definition of the State, where the monopoly of the legitimate use of coercion is translated into a political power based on rational and legal domination. This power is exercised in an autonomous and sovereign fashion over a people and a territory, through a set of institutions, a body of officials and regulated procedures.

In a tradition that spans from Marx to Gramsci, the State is viewed as a domination pact, or as the strategic battlefield. Poulantzas (1978) defines the State as the material condensation of a relationship of strengths between classes and class segments. Policies would be the result of the class contradictions present in the State's material structure, thus enabling its organizational function of dominant class interests. In this case, governability should be seen as part of the construction of a dominant power bloc which is therefore capable of assimilating the dominated sectoral interests through State structures of public policy. On the other hand, understanding the State as a strategic battlefield makes it possible to assign active roles to both State and society, which has the purpose of expanding the democratic public sphere by including those who have been excluded. In this sense, one should accept Calderón's (2002) thesis whereby democratic progress could be evaluated by the capacity of societies to achieve greater convergence between integration and political participation, and by the deliberative capacity that the pre-existing pluralism in Latin American societies could promote in order to become a cultural force within democracy itself.

Governability, Inclusion and Social Capital

Recognizing that democracy cannot be reduced solely to a political regimen seems to be our most important directive, having established the current problems of co-existence present in democratic regimes in societies in which authoritarian cultures, policies of exclusion and patrimonial States persist.

If barriers to democracy in contexts of high inequity are to be overcome, admitting that the central element of democracy is the capacity of individuals to choose as agents—provided with the moral capacity to choose between their interests and those

of others—should not presuppose a different role for the State. The persistence of a political culture based on social hierarchy, the subservience of State entities, private use of public goods, and the inability of public policies and entities to reach the entire national territory in a balanced manner, are obstacles which have been identified by all scholars. However, the assertions that (a) the struggle for the expansion of civil rights would precede the achievement of the other rights, on the one hand, and (b) that the attainment of social rights before civil rights generates low-intensity democracies (as O'Donnell explains the situation of Latin America), on the other, seem to contradict historical evidence, and to reduce the State to a passive role in the process of broadening the public sphere.

The reconstruction of the public sphere that we are witnessing in Latin America is part of the process of democratization, strengthening of local powers, emergence of new demands and new social actors, rearticulation of the regional economic insertion in a globalized economy, and intensification of the use of information technologies in the mediation of social relations and processes. The construction of equality presupposed by the public sphere requires the introduction of normative principles of inclusion, participation and redistribution. In societies in which citizenship is not generalized in egalitarian and civic terms, and in which citizenship consequently coexists with high levels of exclusion and inequality, the role of the State becomes crucial for bringing about social processes that can promote innovation and inclusion. Nonetheless, the possibility of emancipation and differentiation can be secured only by a more complex social fabric, in a double move that constructs autonomous identities and organic forms, and that inserts these interests in the public sphere. This phenomenon is starting to emerge in Latin America as seen from many innovative local experiences, signaling the possibility of constructing a community of citizens based on a new articulation between the national and the popular realms.

The public sphere may, therefore, be characterized by its inclusiveness in terms of the multiplicity of actors who can participate in the processes of integration and exercise of power. It can also be characterized by its effectiveness, that is to say, its capacity to generalize the interests of organized citizens in such a way that they influence and control the exercise and diffusion of political power (Oxhorn, 1999).

As witnessed by the social struggles unleashed during the last three decades, a cultural revolution is unfolding in the region through the introduction of new demands and new political practices. They are oriented toward the effective attainment of the social rights denied in practice to a significant part of the population. The citizen demands which exist in all the region's social struggles introduce the notion of citizens as bearers of rights, regardless of whether the social or the civil rights come first. The right to have rights transforms the culture of clientelism into a culture of citizenship, allowing the placement of social inclusion on the public agenda.

This social process is not, however, independent from the State for at least three reasons. First, the goal of citizen protest is to alter the political process for the construction of the public agenda. In the second place, for the most marginalized sectors the State plays a crucial role in mobilizing the resources that are necessary for their organization. In the third place, a State that is able to absorb demands for social in-

clusion will no longer remain the same, whether in terms of the power pact or its institutions, since the State we are familiar with participates actively in the process of social exclusion.

The State's role in the process of social inclusion is underscored by Reis (1993), who holds that the level of unsatisfied needs in the popular sectors is so acute in our societies that the State itself becomes the agent of popular protest in Latin American societies. His proposal is that citizen incorporation will be possible only insofar as the State manages to institutionalize this relationship, transforming the marginalized sectors into clients of the State without resorting to political manipulation. However, more than acquiring a set of benefits, the challenge of citizenship is to develop a sense of belonging to a public sphere.

For civil society to be strengthened without being co-opted by State mechanisms, it needs sufficient autonomy to preserve its identities and, at the same time, sufficient strength for different actors to achieve their political interests in the negotiated construction of their conflicts, in the formation of the public agenda (Oxhorn, 1999). The tension between autonomy and the insertion of interests into political action is inherent to, and constitutive of, civil society. This tension also exists in regard to the State, whose autonomy and insertion seem to be indispensable conditions for generating synergy in its relationships with civil society (Evans, 1996).

Putnam's culturalist approach, which evaluates institutional performance on the basis of its relationships with the sociocultural context (which generates the reserves of social capital) gave rise to a neo-institutionalist reaction in the works of Evans (1996), in which he demonstrates that the State plays a critical role in the mobilization of social capital. For Evans, public institutions have, in addition to the monopoly on coercion, exclusivity in the mobilization of social resources. Given that the State is the main area of convergence of social demands, it is the State that ultimately determines the success of voluntary initiatives (Abu-El-Haj, 1999).

Among the factors that guarantee the quality of public institutions, Evans singles out the *esprit de corps* of the meritocratic bureaucracy, which secures its autonomy from clientelist pressures and, paradoxically, the "embeddedness" of this bureaucracy in a development project, thus crossing the line between the public and the private. The reconstruction of the public sphere must be clearly identified as part of the struggle for dominance and the creation of a new power bloc which spans the State. It requires new mechanisms, technologies and processes to inscribe the new power relations into the State's organizational structure.

To these two dimensions of the democratic public sphere, one should add social innovation, understood as a society's capacity for transformation. By recognizing its own needs and modifying its structures society can incorporate new technological solutions (Tobar, 2000). In the context of the construction of a democratic society, the social innovation dimension relates to the transformation of public management structures. Social innovation opens up the State to processes of public comanagement, public and private, as a way to include the interests of the dominated sectors in the public sphere, transcending the traditional forms of representation (Genro, 1997). The development of associative networks as the main approach to structuring the democratized public

sphere demands a new managerial technology which can generate synergy between democratized State institutions and the organizations of society that produce the most social capital, given that the latter gain access to public goods through voluntary cooperative relationships (Fleury, 2002b).

Governability and Deliberative Democracy

The debate on democratic governability has been unable to transcend the limits of the representative democracy model, in spite of the evidence that this model is incapable of producing conditions that favor social inclusion in contexts of high inequity. In all democracies, there have always been areas where democratic legality does not exist and which are, therefore, immune to the State. The secular persistence of the spheres of business and family as private domains, where State authority was absent, formed part of the construction of consolidated democracies, but these spaces have recently undergone processes of nationalization.

However, the absence of public authority is persistent in Latin America whether as part of the mechanisms of social exclusion, or as a consequence of increased urban violence in regions and towns that have been neglected by public policies. Recently, the increased presence of international financing entities, and their logic of developing projects instead of public policies, has fueled the growth of institutions and a bureaucracy that run parallel to State organs. This, in turn, reduces the capacity to articulate and implement a common logic, and undermines the possibilities of institutionalizing public authority, especially in countries with severe deficits in State authority.

It is worth noting that the efforts to introduce deliberative processes can alleviate the enormous regional disparity in matters of resource distribution, which would end up being reified through representative democracy, thus generating public spaces where political power can be exercised in a collective manner by persons who are regarded as equals. Representative democracy is considered to be a facilitator of democratic practices on an expanded scale, as well as of the reduction of inequalities among participants in the public sphere. It is held, however, that it does not overcome inequity and social exclusion and has distinct limitations for representing diversity and a multiplicity of identities.

On the other hand, the proposal to introduce mechanisms for participation within a deliberative space will favor representative democracy, given that the latter is regarded as indispensable for maintaining the competition and pluralism required by a democratic political system. The introduction of a different social and cultural logic for the organization of society and the resolution of conflicts emphasizes social innovation, in conjunction with the institutional innovation of democracy.

Deliberative democracy is an institutional arrangement that

- facilitates free discourse between equal citizens so that they can rely on, for example, favorable conditions for expression, association and participation, ensuring their treatment as free and equal parties to the debate;

- links the authorization to exercise public power to this public discourse, establishing a framework that secures the responsibility and accountability of political power through regular competitive elections, using publicity to give exposure to issues, legislative supervision, etc. (Cohen, 1998).

As an institutional arrangement, deliberative democracy requires the creation of public spaces for representation, negotiation and conciliation, and an entire social arbitration technology that is to be developed by the State. The redesign of the State not only allows this interaction with civil society, but also fosters development of new social technologies that define priorities on the basis of the demands expressed by the population and negotiated with other participants according to previously agreed-upon rules. The use of social technology for public management and planning is an enormous achievement, and the participative budgeting process developed in Porto Alegre (Brazil) is among the best illustrations of this. On the basis of the Porto Alegre experience, Fedozzi (2000) has crafted the following analytical principles:

- *Accumulated social capital is important.* Past experience in addressing social movements was fundamental for the construction of the identities of these movements in the context of a rights-based civic culture. But this experience was insufficient to address the reality of comanagement, which requires new approaches to making proposals and negotiating with other actors and powers.
- *Management technologies are a decisive factor in the success of popular participation and the establishment of priorities.* It is necessary to increase the administrative and operative capacity of public power to allow for technical-administrative processing of social demands, and to transform these demands into effective governmental actions.
- *Two movements exist which are dialectically related in their construction praxis: from the inside to the outside of the State, and from the outside to the inside.* A key factor is breaking bureaucratic barriers and facilitating social control, assuming the notion of a radical democratization of the State and the need to expand the public sphere through social control instruments. This notion of radical democracy, whose concept of “active citizenship” became central for the strategic project in Porto Alegre, was made viable by a set of institutional policies that made the public sphere of comanagement of public resources effective.
- *The reformulation of the principle of monopoly of community representation by the elected government generates tensions between representative democracy and a new taxonomy of local power.* In the Porto Alegre case, tensions arose because of disputes between regional and local communities and the government’s need to plan and to act across the entire city, and because of conflicts over technical aspects (inherent to administration) and the political aspects of participation.
- *Adhering to a project for the “radical democratization” of the State requires a link between participation and material results, at the risk of eroding the objective basis that supports popular credibility in the social participation process.* Participation is able to alter the logic of urban exploitation and change government priorities. In the case of Porto Alegre, however, participation was not sufficient to alter the perverse logic that results in unsatisfied needs.

Another issue that should be addressed is the scope of deliberation. Analyzing the Argentine case, Reppeto (2003) initiated an important debate about the obstacles that must be overcome by the new map of political actors which is organized at the micro and middle levels of institutions as an answer to the governability crisis. This must occur if there is to be a change in the State centrality matrix that exists at the macro level, and to advance a national consensus process.

This has been a recurrent problem in several Latin American countries where, in spite of a wealth of participative structures at the local, sectoral or specific levels that are capable of generating a new political matrix and a new logic of participation and consensus, it has not been possible to alter the exclusive, traditional power structures that are preserved at the national level. The different deliberative forums that act at the local level have been very efficient in the mobilization, inclusion, and reassignment of social identities and participation. However, conditioned as they are by national macroeconomic and social policies, they have proven inadequate in advancing the effective redistribution of wealth.

To conclude, we shall revisit the fundamental principles of deliberative democracy, namely, recognition, participation and redistribution.

Democracy, as the government of citizens, involves a psychosocial process of recognizing the "other" in different ways, including primary relationships of love and friendship, the legal relationships implicit in citizens' rights, and the community of values that facilitate both hierarchical social esteem (or status) and symmetric social esteem (or solidarity) (Honneth, 1995). The struggles for the recognition of sectors with identities and demands that have been excluded from the public agenda have fueled the pursuit of new approaches to building democratic institutions, and they have also been a factor in promoting redistribution. In this sense, social justice is restricted neither to redistribution nor to class struggles; increasingly it includes other aspects of subordination such as gender, race, ethnicity, sexuality, religion, and nationality. In order to prevent the struggles for recognition from displacing the struggles for redistribution (instead of contributing to them), Fraser proposes a notion of recognition that is not identity-based, but that promotes interaction above differences, and synergies through redistribution.

Participation in deliberative public spaces is a requirement for expanding citizenship. Telles (1994) maintains that it is impossible to transform rights into references that structure citizen identities in a society that displaces every individual from a position of recognition. The democratization of the public sphere depends on the existence of spaces for public representation and negotiation, in which rights can be affirmed as the measure for solving conflicts and as the parameter for reorganizing social and economic life.

Parity in participation is a necessary normative principle that links recognition and redistribution under a single notion of social justice. This is an important condition for generating greater redistribution, but not for changing the conditions that generate inequality. Recent experiences show that in situations in which redistribution does not take place, recognition and participation become elements that cause dissatisfaction and mistrust toward democratic institutions.

The recent governability crises have been marked by popular protests that reduce the legitimacy of the power exerted by rulers, who proved incapable of transforming the power pacts and allowing the effective inclusion of the population. In contrast to what took place in the past, when governability crises were solved by suspending the democratic regime, the current crises can be solved only by deepening democracy. This depends on a reformulation of the power pact, and not only on the rules for the exercise and institutions of power.

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CHAPTER 4

Does Income Inequality Limit Democratic Quality?

First Results

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Much is known about how to promote equitable development that benefits poor people ... but too often such policies are not adopted because of systematic biases that protect the interests of the elites.
—UNDP (2002)

Introduction

Democracy became a core cause in the international development agenda in the early to mid-1980s. Since then, significant financial resources and human effort have been devoted to promoting competitive political forces in open countries and persuading autocratic governments to change. International financing institutions and development agencies such as the International Monetary Fund (IMF), the World Bank and the United Nations require the presence of a democratic political system as a condition for sought-after financial assistance. This movement toward democracy has not only been a matter imposed by industrialized nations; the African continent, for example, demonstrated its commitment to building democracy with the launch of the New Partnership for Africa's Development (NEPAD) in 2001, establishing good governance practices as one of the cornerstones for development.

The end of the Cold War (along with its associated geopolitical interests) and the emergence of a broader conception of development placed democratization at the forefront of the fight against underdevelopment. The lack of accountability and representation of the State in developing countries suddenly appeared to the international

community as the most significant determinant of underdevelopment. It was thought that increased participation would give the poor the voice they needed to meet their needs. Certainly, theoretical research and intuition seemed to guarantee the success of democratization in the battle against poverty and in favor of development.

However, the implementation of a democratization model in the developing countries has not met with expectations. According to the UNDP (2000), several of the countries that launched democratization processes in the 1980s have since returned to authoritarian systems of government (the current governments of Pakistan and Zimbabwe are good examples). Others have stalled on their way to democracy by restricting political freedoms or by adopting closed or dysfunctional political systems. Even in countries where institutional agreements for the exercise of democracy have been put in place, the population often does not feel that it can affect national policies.

The lack of democracy around the world is clearly recognized by the United Nations: “of the 140 countries that hold multiparty elections, only 80—with 55 percent of the world’s people—are fully democratic by one measure. And 106 countries still limit important civil and political freedoms” (UNDP, 2002: p. 2).

What are the factors that have delayed democratization or led to its failure? Theoretical literature identifies various key elements for the proper development of competitive political systems. These conditions concern almost every field in the social sciences, ranging from economic to sociological and political factors. Certainly, many developing countries have lacked these conditions, at least in any significant quantity. Democratization in developing countries has been jeopardized where conditions are extremely hazardous. Economic stagnation, low levels of human development, the role of a State that is excessively intrusive and nepotistic, and above all, the huge disparities in the distribution of resources among the population have produced unexpected and often undesired outcomes.

Economic stagnation, low human development and State failures have received most, if not all, of the attention in the development literature. However, levels of income inequality within developing societies appear to be one of the major causes for failure in the development of competitive political systems.

The negative impact of inequality on democratization functions in different ways. On the one hand, disparities in the distribution of economic resources are associated with disparities in status and political power. This causes an important lack of legitimacy in the system, seriously undermining the efforts to develop a competitive political system in which everybody is equally represented. On the other hand, inequality in the distribution of economic resources seems to distort and counteract all the positive effects associated with factors such as education or health, which the literature identifies as crucial for competitive political systems. Under this setting democracy is very infrequent, and as Lipset (1983: p. 31) concludes: “A society divided between a large impoverished mass and a small favored elite results either in oligarchy (dictatorial rule of the small upper stratum) or in tyranny (popular-based dictatorship).”

The aim of this chapter is to explore and explain different ways in which income inequality hampers the development of a political system of organization characterized by freedom of opposition and a competitive system of representation: in other

words, democracy. It is essential to analyze the possible impacts that concentration of wealth or economic resources have on the different determinants of democracy. We must examine the concept of democracy, both as a phenomenon and with respect to its requirements and see how it fits into the socioeconomic framework of developing countries.

The chapter is divided as follows: The second section considers the concept of democracy and the implications of a competitive political system for the human and economic development process. The third section examines the correspondence between a competitive political system and the socioeconomic framework of developing countries. The fourth section explores the different ways that economic inequality affects democracy and undermines democratization processes. The concluding section offers policy recommendations and suggests future lines of research.

Democracy and Development

If democracy is the focus of our study, we need to know how the term can be incorporated into human development theory. This section analyzes the concept of democracy and the implications of this model of political representation for the advancement of individual well-being.

Conceptualization of Democracy

Democracy, polyarchy or the competitive political system (terms used interchangeably in this chapter to describe the same system of political representation) can take on many different forms. For this reason, and in order to set the appropriate analytical framework, it is important to be explicit about what is meant by these terms.

The exercise of democracy refers to many different dimensions: accountability, participation, political competition, and equity for all. Dahl condenses them into two different dimensions: public contestation on the one hand and inclusiveness on the other. Public contestation refers to “the extent of permissible opposition, public contestation or political competition.” Participation complements the first dimension, and refers to “the proportion of the population entitled to participate on a more or less equal plane in controlling and contesting the conduct of the government” (Dahl, 1971: p. 4). Between these two dimensions we can place very different political systems currently operating in the world and still call them democracies. For this reason, it can be extremely confusing and risky to compare different political systems. As Lipset (1983: p. 30) points out: “democracy is not a unitary quality of a social system, but a complex of characteristics which may be ranked in many different ways.” Efforts have been made to synthesize all these qualities into a single index, which is very useful in quantitative analysis. But important nuances are lost, preventing us from obtaining a complete picture of the current political situation.

Quantitatively, a proper analysis of any political system demands that we explore the different dimensions individually and rank them in different ways. This increase in information and nuance, however, has the major disadvantage of making comparison among different systems fragile and inconsistent.

In democracy, as a system of political representation, citizens, in their role as agents, choose certain officials to act as their leaders. People allow these officials to establish the regulations and framework that govern societies. Beyond this, they provide leaders with the means and legitimacy to exercise authority over them. This delegation of title requires important limitations or additional mechanisms to avoid abusive behavior by the State.

Przeworski (1998) examines the institutional mechanisms used by democracies to protect the rights of the population. He identifies two different types: “vertical” mechanisms, through which citizens exercise their control over the government, and “horizontal” mechanisms, which consist of a system of checks and balances among different branches of government. These clearly are very desirable characteristics of any competitive political system.

The most widespread and accepted vertical mechanism is elections. If they are free, inclusive and competitive, elections can be considered the instruments of political freedom through which governments take responsibility for their actions and act in accordance with proper incentives (Dahl, 1971). Accordingly, governments will act in the best interest of the people (Przeworski, 1998). Przeworski identifies two different mechanisms by which elections provide the correct incentives: the “mandate” (competition for the best policies and commitments) and “accountability” (through assessment of past performance).

Although one could think that the vertical mechanisms are enough to ensure perfect inclusiveness and accountability, this is far from the reality. Political decision-making is not accomplished with democratic consultation every day. Nor do we elect our rulers every day. There is a trade-off between the costs associated with the act of voting and the time given for certain policies to be accomplished. For that purpose, every nation, region or geographic identity establishes an optimum time period in which to carry out new elections.

Relinquishing constant oversight in favor of lower costs, it becomes necessary to have complementary mechanisms that continuously monitor government’s activities. These are the horizontal mechanisms. They consist of either independent agencies that can veto and block the activities of the State or the divisions of the State responsible for different functions, or a combination of both (Przeworski, 1998).

In the case of independent agencies, important problems arise. Independence from the control of elected representatives can make agencies that are not elected unaccountable to civil society. The effectiveness of this complex system will be found only when the particular agencies have the correct incentives to exercise their institutional prerogatives. In particular, to avoid collusion, some agencies must be independent from the partisan interests of politicians. Yet no agency should be free from control by some other agency or directly by voters: there should be no “unchecked checkers” (Przeworski, 1998: p. 7). Lipset (1994: p. 2) argues that these systems avoid possible

pernicious effects of inequality. We will analyze later in this chapter how they can also be the source of these effects.

For this system of checks and balances to function effectively, freedom of information plays a crucial role. This complex system of interrelations is based on the free flow of uncensored and unbiased information. For that purpose, legal sanctions are not sufficient. Media agencies must also be free from the State and from corporate and political pressures. Moreover, and owing to the role of public good assigned to it, information media must also remain accountable, with high standards of professionalism and ethics (UNDP, 2002: p. 6).

The fragility and complexity of the instruments and mechanisms by which democracy operates place incentives at the core of the analysis. For proper incentives to appear, democracy must be strengthened and promoted from deep within society. Besides the institutional factors, pluralistic political systems represent a certain set of values that provides support for the system. It is not enough to provide the society with the mechanisms and means of representation and voice. Society must be the engine and ultimate guide of the process, with a population committed to a democratic system. This requires “the strengthening of democratic practices, with democratic values and norms embedded in all parts of society” (UNDP, 2002: p. 14). This will lead to what Sen (1999: p. 159) calls an “effective practice” of these rules of representation. The only way to promote it is through the cultivation and enhancement of proper values in society.

Without the establishment and consolidation of complementary institutional and sociological structures, in the form of a vibrant civil society and significant social capital, implementation of democracy is extremely weak and vulnerable to arbitrary manipulation. As observed by Dahl (1971: p. 60): “A competitive political regime, and therefore a polyarchy, is unlikely to be maintained without a pluralistic social order” at all levels of society.

Democracy and Human Development

What is the link between democracy and development? Why is it so important for development? Amartya Sen (1999) maintains that democracy, and more explicitly the political freedom inherent in its foundations, is a crucial cornerstone in human development. In his “capability” approach, democracy plays three important roles, acting as both the means and the end.

As a means, the contribution of political freedom and extension of civil rights is twofold. On one hand, they enhance “the hearing that people get in expressing and supporting their claims to political attention” (Sen, 1999: p. 148). On the other hand, they increase dialogue among different agents and thus help in the “constructive role in the conceptualization of ‘needs’ (including the understanding of ‘economic needs’ in a social context)” (p. 148). As an end, democracy perfectly fulfills and fits with the idea of development as “the removal of major sources of unfreedom” (p. 3), of ownership of one’s own fate, and helps to fill the gap left by situations of extreme deprivation.

In a more quantitative way, authors like Rodrik (1998) have demonstrated the instrumental (redistributive) impact of democracy, showing that political competition and participation significantly enhance the level of manufacturing wages in the economy.

Although democracy is invariably important, Sen (1999: p. 155) warns about undesired outcomes due to the possible manipulation that this situation of freedom can bring about: "Democracy does not serve as an automatic remedy of ailments as quinine works to remedy malaria. . . . This is, of course, a basic feature of freedoms in general—much depends on how freedoms are actually exercised." Certainly democracy can serve as the ideal setting to legitimize attitudes that are conducive to more deprivation. There are numerous cases (for instance, apartheid in South Africa, and the Milosevic regime in the former Yugoslavia) in which internationally accepted inclusive polyarchies have supported or accepted an important level of deprivation among sectors of the population with scarce economic and political resources (Dahl, 1971; Przeworski, 1998). In democracy, the decisions adopted by a majority can seriously prejudice the interests of a minority.

While not perfect, democracy has proved not to be the worst of the political systems of representation that humans have developed to date. Furthermore, democracy seems to be the best partner for achieving economic growth on the path to development. Although the experiences of development in some Southeast Asian countries contradict this statement, the low levels of income inequality and corruption in this region would lead us to believe that public sector interests and those of the population are closely in line. This alignment of interests between the State and the population is one of the goals pursued by democracy

Democracy and Economic Development (and Vice Versa)

From the factors that determine good performance of democracy outlined above, one can easily see the important role played by economic development in the appearance of most of these factors. Certainly, high levels of economic development are necessary to effectively provide adequate levels of education, health and information systems, which in turn promote political attitudes that favor democracy (Muller, 1995a: p. 967). Empirical evidence supports these ideas.

As Table 4.1 shows, higher levels of democracy are closely associated with higher levels of socioeconomic development indicators. The variables seem to feed each other, and "the more well-to-do a nation, the greater the chances that it will sustain democracy" (Lipset, 1983: p. 31). It is also true that the more competitive the political system, "the more likely the country is at a relatively high level of socio-economic development" (Dahl, 1971: p. 64). Whatever the causal relationships may be, it is obvious that they are not unidirectional and they seem to be very complex.

Economic development and the movement toward a market economy facilitated by this development have important sociological and political effects on society. On one hand, authors like Muller (1995a: p. 967), and especially Berger (1987), emphasize the crucial sociological impact of the establishment of a market economy. According

Table 4.1
Cross-correlations of socioeconomic development
and level of democracy

	Level of democracy ^a
Public spending on education	0.2205
Gross school enrollment, primary education	0.1045
Gross school enrollment, secondary education	0.3422
Gross school enrollment, tertiary education	0.3117
Illiteracy rate, adults	−0.9996
Illiteracy rate, youths	−0.0794
Number of physicians	0.1819
Number of radios	0.3080
Daily newspapers	0.2957
Access to health care services	0.6433
Hospital beds	0.2269
Tax collection	0.1299

Sources: *World Development Indicators* and Polity IV (Marshall and Jaggers, 2002).

^a This indicator ranges from level 0 (the lowest level) to level 1 (the highest level in a democracy).

to these theorists, the movement toward an economy based on free markets with the correct institutional settings largely transforms the structure of social stratification, from a society with an extensive lower class, characteristic of agrarian societies, to one with a growing and influential middle class. These new middle strata with access to higher levels of education seek to fulfill new needs and desires for broader civil and political rights. This has an important effect because it weakens the power that autocratic States have over socioeconomic relationships. This middle class effectively contributes to economic stability by tempering “conflict by rewarding moderate and democratic parties and penalizing extremist groups” (Lipset, 1983: p. 51).

Moreover, economic relations based on a market economy reduce the importance of the public sector in the economy. As a result, “the wider the scope of market forces, the less room there will be for rent-seeking by elites with privileged access to State power and resources” (Lipset, 1994: p. 3).

Besides sociological and political reasons, economic development and democracy are closely linked by the operational costs of the latter. Certainly, every system of political representation has its own expenses, but democracies are particularly expensive for a number of reasons. On the one hand, the actions of consultation and negotiation among a large group of people can be very costly. On the other, the complex system of checks and balances required for the proper performance of a democratic bureaucracy further increases the costs of the system.

Theoretically and intuitively, economic development seems to have a positive, direct relationship with democracy. However, history has provided us with numerous

examples in which advanced and developed economies did not go hand in hand with political systems designed to be pluralistic and open. Such was the case in the former Soviet Union and East Germany, and more recently in wealthy Middle Eastern countries such as Saudi Arabia. In all these cases, additional explanatory variables must be explored, as there must exist other factors that distort the positive effects of economic development, or are even strong enough to counter them.

All the factors presented above lead us to conclude that although economic development appears to be one of the cornerstones for the appearance and growth of democracy, it is far from being the only factor or even, in some cases, the most powerful one. Economic development and the movement from a centralized system of economic activity toward a market-friendly system are necessary but not sufficient conditions for the success of democracy. More causal relationships need to be explored.

Democracy and Developing Countries

Although it is impossible to generalize, certain stylized facts concerning socioeconomic conditions in developing countries allow us to make some tentative conclusions about the most important impediments to the establishment of democracy.

The socioeconomic characteristics inherent in many developing countries (a limited economy, with a large centralized State playing a major role in the economy, providing capital, labor, power and status) are often associated with high levels of corruption and nepotism. Under these conditions, the allocation of resources follows patterns that are neither welfare-enhancing nor efficient since they emphasize “particularistic, personalistic criteria” (Lipset, 1994: p. 3). Moreover, the monopoly power of the State in certain key economic sectors and resources threatens the appearance and strength of the opposition, a key ingredient in competitive political systems. According to Dahl (1971: p. 49): “the likelihood that a government will tolerate an opposition increases with a reduction in the capacity of the government to use violence or socioeconomic sanctions to suppress an opposition.”

Corruption, an extended and persistent plague for many developing countries, provides attractive rates of return, but it is very expensive and therefore only accessible for certain factions of society (i.e., the most well-off). Corruption, among other effects, weakens the legitimacy of new democracies through the arbitrary and random imposition of law, making these fledgling democracies very vulnerable and susceptible to attacks. In addition, corruption affects democracy through its impact on economic performance. According to Mauro (1995), corruption undermines economic growth because of its negative impact on public and private investment. Economic stagnation, in turn, undermines the legitimacy of democracy (Lipset, 1994: p. 13) and encourages the appearance of extremist social movements that are opposed to pluralist political systems.

In addition, for competitive political systems to be successful, societies need to satisfy certain requirements, and have social support. Lipset (1994: p. 3) emphasizes this point, arguing that “[d]emocracy requires a supportive culture, the acceptance by

the citizenry and political elites of principles underlying freedom of speech, media, assembly, religion, of the rights of opposition parties, of the rule of law, of human rights, and the like.” This is not the case in the vast majority of developing countries, where fragmentation and low levels of human development hamper the appearance of a strong sense of cohesion, and with it, a vibrant civil society that supports these values.

Even in those developing countries where inclusive systems of political representation have recently emerged, the lack of public resources impedes the establishment of the necessary complementary mechanisms for effective democratic practices. As a result, most of them have dysfunctional public institutions run by corrupt officials who lack motivation because of low salaries.

Moreover, an analysis of the relationship between competitive political systems and developing countries shows important challenges. One of the most important has been the impact that the lack of sovereignty has had in the establishment of their own political systems, no matter what the internal conditions are. As Dahl (1971: p. 189) points out: “The destiny of a country is never wholly in the hands of its own people. In some cases, domination imposed by people from outside the country can be so decisive as to override the effects of all the other conditions.”

During the colonial period, many developing countries became mere instruments of economic exploitation for the benefit of developed countries. The desire of colonial powers to extract the maximum benefit from these countries severely impeded the establishment of participatory political systems. In some cases, however, the colonial legacy has been positive. Bollen and Jackman (1985) and Muller (1995), for example, find that being a former British colony has a significant positive impact on both democracy and economic development.

During the years of the Cold War and after gaining independence, geopolitical alliances mandated the position of developing countries. At that time, although developing countries had a bit more autonomy, Western countries put friendly dictators in power and financed and maintained them without any political system of consultation. The end of the Cold War removed the financing provided by superpower patronage and opened up new hopes for effective democratization, since these dictators could no longer profit from the tensions and disputes between the Soviet Union and the West (Lipset, 1994: p. 16).

The results, however, have been contradictory. As Bayart (1993) shows in his “extroversion” theory, old elites who became wealthy during this period have been able to survive and maintain their political and economic power. Under a false appearance of competitive political systems, they have not only spoiled their national economies and their countries, but have misused the foreign assistance destined for the most deprived. Esteban and Ray (2001) analyze how, in a setting of imperfect information, inequality in the distribution of wealth can distort the public allocation of resources.

As mentioned above, generalizing about developing countries is hazardous. Different historical paths have led to different situations, and different cultures and systems of social relationships make democracy something different in every country. Recent surveys of people’s evaluation of democracy in Latin America show that democracy is

still valued as the best way to solve economic problems (Carbajosa, 2002). In contrast, recent events in African countries such as Liberia and Chad have shown that war was seen in those countries as a better tool than multiparty elections to change the political direction.

Income Inequality and Democracy

As we saw in the previous section, the emergence of successful democracy depends on a variety of elements. Factors such as the high and pervasive levels of income inequality observed in developing countries seem to hamper the appearance of a successful “democratic culture.” Given the important role of democracy in human development, income inequality is a crucial element to consider.

Main Hypothesis

As already outlined, the factors and conditions that favor the appearance, stability, and sustainability of competitive and plural political systems are numerous and diverse. Dahl (1971: p. 74) summarizes them as follows: “The chances that a country will develop and maintain a competitive political regime (and, even more so, a polyarchy) depend on the extent to which the country’s society and economy: (a) provide literacy, education and communications; (b) create a pluralistic rather than a centrally dominated social order, and (c) prevent extreme inequalities among the politically relevant strata of the country.”

We will show the importance that economic development has in the establishment of democracy. Without proper economic development, it is impossible to provide public goods such as literacy and education, which are key elements for democracy. Moreover, if all of society can benefit from the new opportunities offered through economic development, important sociological changes will appear that are also conducive to democracy. Unfortunately, these cause-and-effect relationships are not always easy to untangle. It becomes crucial to know how the economic resources generated by economic growth are allocated. It is on these grounds that income inequality plays a critical role.

The interdisciplinary nature inherent in the relationship between economic inequality and democracy has attracted scholars from various fields: sociologists, political scientists and economists have tried to sort out the mechanisms of causality.

Following the analysis developed by Muller (1988), to understand the impact of income inequality on democracy one has to differentiate two hypotheses relating to two different aspects of democracy. On one side is the *genesis* hypothesis, which tries to explain the impact of income inequality on the inauguration of democracy or, more generally, on the level of democracy. On the other side, the *stability* hypothesis tries to resolve the impact on the maintenance of a competitive political system.

For the case of developing countries and the purposes of this chapter, we will analyze the impact of income inequality under the first of these hypotheses. However, it is important to emphasize that these two hypotheses are closely related, since reducing the stability of democracy also reduces its level. In addition, the institutional characteristics of most developing countries disallow the claim that democratic political systems are fully in place.

According to Bollen and Jackman (1985), it was Aristotle who first realized the perverse effects extreme inequalities could have on political systems. It was thought that extreme inequalities led to hegemonic systems, and to promote pluralistic political regimes it was necessary to have “a preponderant middling group of citizens more or less equal and therefore, [one] must avoid extreme differences (among citizens) in status, income, and wealth” (Dahl 1971: p. 81). For developing countries, however, the impact of income inequality on democracy goes beyond this.

The importance of the impact of economic inequality on the level of democracy lies in the interaction of several structural factors of developing countries and the incentives generated by these circumstances. As explained in the preceding section, the internal socioeconomic characteristics of developing countries prevent them from developing internal movements conducive to democracy. The lack of social cohesion and low levels of education and literacy as well as scarce economic resources of the majority of the population appear as the major causes of the lack of private initiative. In these conditions, democracy must be considered a public good.

The State, then, should have the capacity to provide society with the determinants of democracy. It should improve levels of education and literacy as well as promote the emergence of a culture of democracy. However, the State has little room to maneuver in developing countries because of their inefficient fiscal systems, and the corruption and clientelism by which they operate prevent them from efficiently providing these services.

Corruption is so widespread that the public sector has become a powerful agent that does not serve the whole society, but rather the wealthy elite. As Muller (1995a: p. 968) notes: “Although vastly outnumbered by the poor, the rich nevertheless may be able to convert their greater economic resources into a countervailing political influence and prevent significant redistribution.”

Elites become an important faction of society who not only refuse to participate in competitive political systems, but also distort the use of the means available for effectively implementing these systems, thereby undermining their legitimacy. The presence of a weak State without legal and coercive means to counteract these forces makes it easier for the rich strata of the population to translate their economic power into political power.

Why do elites avoid movements toward democracy? There are two main explanations for this attitude. The first and most important explanation is found in the economic appeal of the public sector. Positioning oneself with the public sector is, almost always, the only winning alternative in the developing countries. Elites cannot afford to lose their influence and access over the most, if not the only, source of wealth. This power over the State allows them to appropriate the income associated

with State activities in the economy, not only as the major economic agent in the national economy, but in the case of developing countries, as the major recipient of foreign aid (Bayart, 1993).

Secondly, given the social polarization derived from the skewed distribution of economic resources in the society, democracy would be very costly for the ruling rich elite owing to the pressure for redistribution to the poor masses. According to Acemoglu and Robinson (2001), the expansion of voting rights to the poor strata of the population would impose higher taxes on the wealthy elites than in the case of nondemocratic systems, giving the elite incentives to thwart the democratization process. In many developing countries, wealthy elites have all the necessary resources to prevent, and no legal obstacles that would keep them from preventing, a movement toward a popular, sovereign political system that would threaten their survival. The existence of this threat enhances the sense of cohesion and identity already existing among the members of the elite, making their task even easier.

For Engerman and Sokoloff (1997), the persistence of income inequality in Latin America is caused by the fact that the wealthy elites also shape political institutions. A vicious cycle emerges as political institutions reproduce the same inequalities that shaped them.

In addition to the corrupt incentives for the wealthy elite, high levels of concentrated wealth also impose important structural changes in the stratification of society that seriously undermine the prospects of installing a competitive political system in the long term. Certainly, the lack of access to new opportunities available to other sectors of society hampers the development of an urban middle class that, according to Aristotle and others, is the foundation of a pluralistic social order.

For other authors, like Dahl (1971) we do not need to go far to see the negative effects of economic disparities. He argues that high levels of concentrated income cause significant resentment and frustration among the most deprived. This, consequently, weakens the sense of cohesion and community on which democracy as a process of collective action depends. Although Bollen and Jackman (1995: p. 984) strongly disagree with this approach, arguing that “on logical and empirical grounds, measured income inequality is an imperfect proxy for national distributions of political resentment,” this is not the case for developing countries.

Indeed, in countries like the United States, the levels of income inequality are as high as in some developing countries and democracy still enjoys majority support. The reason in this case is that State capacity is much more developed and it is possible to avoid the translation of economic power into political power. Conversely, in developing countries, the extremely low levels of income combined with poor delivery of public services enhance the sense of injustice and frustration.

Besides the effect of economic inequalities on the emergence of democracy, recent experiences in developing countries such as Zimbabwe, Egypt or Peru have shown that such inequalities play a major role in the success of young democratic institutions with inclusive systems of representation. This demonstrates the extent to which wealthy elites have been able to cope with the threat of increased redistribution even in political systems on the path to democracy.

One would expect that a competitive political system that is open to dissent would tend to reduce sizable disparities in the distribution of income. This would operate following the recipe of the “median-voter theorem” (Meltzer and Richard, 1981); according to this theorem, the farther the income of the median voter is below the mean income, the more a democratic State should redistribute and “hence, one would expect that the share in the national income of government revenues or taxes or consumption expenditures should be greater in societies that are more unequal” (Przeworski, 1998: p. 15). In this case, theory and empirical evidence differ enormously: the greater the inequality, the lower the tax revenues. Table 4.5 shows that, controlling for the level of democracy and the level of economic development, disparities in the distribution of income have a significant negative effect on tax revenues.

Again, the high stratum of the society is able to remain unaffected and stay aside and uninvolved in the participation process. The basic reason lies in the deep nature of political systems. Cunill (1997: p. 71) observes that all forms of political influence require resources, whether money, time, organizational skills, knowledge, or talents of persuasion. These resources are all unequally distributed and all highly correlated with money. The problem, then, is how to expand the mechanisms of representation without transmitting the effects of inequality of resources to the inequality of access.

The most plausible way to translate this economic power comes from “the need to finance parties and elections,” which, according to Przeworski (1998) is “the great unresolved institutional problem of democracies.” Scarce but highly concentrated economic resources make wealthy elites very useful allies for politicians seeking power. For wealthy elites, this ensures them easy and fruitful access to State activities.

Democracy implies not only that governments cannot violate the law, but also that “they should enforce it universally” (Przeworski, 1998: p. 4). Reality in most developing countries has very often shown the contrary. In some instances the explanation is that economic resources are extremely concentrated. If this is the case, elites represent a serious threat to effective and universal implementation of the rule of law. The conflict of interests between the public sector and wealthy elites can lead the latter to pursue political change through nonpolitical means. This constant threat undermines the legitimacy of the system, making it more vulnerable to attack.

For some authors, like Acemoglu and Robinson (2001), these assumptions are very useful in explaining the instability of democratic situations in some Latin American countries, such as what took place in Argentina in 1976 and Chile in 1973. In these cases, wealthy elites easily aligned with sectors of the army to oust democratically elected governments.

Indeed, inequality seems to waste efforts to develop the necessary institutions for full democracy, it makes developing countries get “stuck halfway,” and it delays the development of complementary mechanisms that would avoid these situations. From this perspective it seems fair to establish a different framework for the analysis of democratization and its development, because even with inclusive systems of political representation, the deprived population still lacks the voice to intervene at a political level. A proper analysis needs to consider the impact of interest groups, their struggle to make their political voices heard, and overall, their economic resources to achieve their goals.

Placing these theories in the context of the last two decades does not leave much room for hope. The few economic resources generated during 20 years of stagnation have not established a large middle class, and an already wealthy elite has become wealthier (Sala-i-Martin, 2002). This threatens countries' future democratization efforts, as well as the future legitimacy of already established democracies.

The result of the socioeconomic characteristics of developing countries, together with high and increasing disparities in the distribution of wealth, leaves developing countries with "a poor State in an unjust society" (Przeworski, 1998: p. 19).

Review of Empirical Literature

Empirical literature concerning the impact of income inequality on democracy is characterized by its lack of consensus and clear conclusions. A brief summary of several studies corroborates this.

Bollen and Jackman (1985), measuring problems of endogeneity, find no evidence of direct effects of income inequality on democracy and vice versa. Later, Muller (1988), using a sample of 33 countries, finds a strong inverse correlation between income inequality and regime stability controlling for the level of economic development. Using literacy rates as the control variable, and including an additional country (Taiwan) in the same sample, Weede (1989) failed to find the same results.

Again, Muller (1995a), analyzing the case of middle-income countries during the 1960s and 1970s, concludes that the driving force that led those countries to diminish their levels of democracy was the rampant levels of income inequality, even though they were undergoing significant economic development. This led him to conclude that "[e]vidence from this study and others indicates that high levels of income inequality are incompatible with the development of a stable democratic political system" (Muller, 1995a: p. 981).

Although recently the measurement and availability of certain data have slightly improved—especially data concerning inequality and democracy—we are still far from being able to offer a consistent quantitative assessment of the impact of inequality on levels of democracy.

One of the most recent empirical investigations using the latest measures of both variables is that of Chong (2001). While not analyzing relations of causality, he shows that the relationship between democracy and income inequality is not monotonic. He defends the existence of a political Kuznets curve by which "the extension of democracy to the masses may first produce an increase in income inequality before it may produce an improvement in the distribution of income" (p. 6).

There are a number of reasons for the disparity in results. First, most previous research uses different samples. This strongly drives the relationship, as already noted, and country-specific socioeconomic characteristics determine in a crucial way the intensity of the relationship. The composition of the sample is thus a major source of bias due to the selection of a certain sample. However, in the empirical studies reviewed, the composition of the sample is based on availability of the data on income inequality.

ity. Due to the complexity and cost of obtaining reliable data about the distribution of income, most of the empirical research has not considered developing countries.

Second, the collection of information concerning inequality as well as the level of democracy within a country brings about serious problems. On one hand, data on inequality are often heterogeneous with respect to the timing of the observations, the definition of income used, collection procedures as well as the unit of reference. All these reasons make cross-country comparisons a difficult task. On the other hand, measuring levels of democracy presents important problems both of definition and measurement. As already noted, democracy cannot be easily characterized by only one attribute, which complicates cross-country comparisons.

Finally, the complexities that exist in the relationship between income inequality and democracy (especially problems of endogeneity) have made researchers use different econometric specifications, which lead to different results.

Preliminary Data Analysis

The econometric difficulties underlying the lack of homogeneous and consistent cross-country data concerning economic inequality and democracy prevent us from offering clear conclusions. While we are unable to analyze the causality directly, some of the following results give some idea of how economic inequality operates to hinder the emergence and development of a competitive political system.

In order to offer a proper analysis of this issue, it would be desirable to know how wealth is distributed among the population in a country. Unfortunately, this information is not available. To fill this gap we use the high-quality Gini coefficients compiled by the World Institute for Development Economics Research (WIDER) which represent the most complete data set concerning income inequality within countries, since it collects information for industrialized, developing and transition countries. With respect to democracy we use two different variables: civil rights and political rights. These variables come from Freedom House (a nonprofit organization), and they have been widely used by economists. They consist of annual subjective measures of the expansion of political and civil freedoms, indispensable elements in a democracy. The variables concerning socioeconomic characteristics correspond to the *World Development Indicators* compiled by the World Bank.

The resulting data set used for this analysis consists of 124 countries (see the Appendix to this chapter for the full list of countries) and the information corresponds to the 1975 to 1999 period. One of the most striking results is that not only are developing countries poor but the distribution of their economic resources is more concentrated among certain factions of the population (as shown in Table 4.2). Moreover, the higher the level of economic development, the lower the level of income inequality, on average.

How is this income inequality associated with the key characteristics of democracy? As Table 4.3 shows, higher levels of income inequality correspond to lower levels of political and civil rights. Given that developing countries show higher levels of income

Table 4.2
Income inequality by countries according to
income level, 1975–99 (percentage)

	Gini coefficient
Low income	
Average	39.16
Maximum	63.10
Minimum	21.20
Standard deviation	9.79
Low-middle income	
Average	38.26
Maximum	61.00
Minimum	17.50
Standard deviation	10.04
Middle-high income	
Average	37.64
Maximum	63.66
Minimum	17.80
Standard deviation	13.76
High income	
Average	30.49
Maximum	62.50
Minimum	16.63
Standard deviation	6.73

Sources: WIDER (<http://www.wider.unu.edu/wiid/wiid.htm>) and the World Bank.

Table 4.3
Cross-correlations of income inequality and freedom, 1975–99
(percentage)

	Gini coefficient
Political rights	–0.3073
Civil rights	–0.2730

Sources: WIDER (<http://www.wider.unu.edu/wiid/wiid.htm>) and Freedom House (<http://www.freedomhouse.org/ratings/index.htm>).

inequality, these results do not leave much room for hope, as the poor populations seem to be seriously deprived of any real political voice; therefore their needs are not heard.

Although we cannot directly assess the impact of income inequality on the level of democracy, we can analyze the impact of the former on the factors that the literature identifies as determinants for democracy. As Table 4.4 shows, controlling for the level of economic development, income inequality has a significant negative impact on most of the determinants of democracy. It seriously undermines the expansion and provision of public services (such as health and education), and therefore restricts people from having an effective role in politics. Income inequality also seems to diminish the population's access to the press and other communications media, which leaves the government unaccountable for its activities.

Again, results are very discouraging for developing countries. To take steps toward developing a vibrant civil society with a competitive political system, economic

Table 4.4

Income inequality and some determinants of democracy in 124 countries, 1975–99

Dependent variable	Daily newspapers (per 1,000 persons)		Radios (per 1,000 persons)	
	Coefficient	t-statistic	Coefficient	t-statistic
Gini	–3.84384	–7.55	–1.718407	–0.14
GDP PPP per capita	0.307038	10.22	0.0756153	16.6
GDP PPP per capita squared	–6.80E–07	–5.64	–1.11E–06	–5.82
R ²		0.5598		0.6232
Number of observations		648		1,266

Dependent variable	Public spending on education (% of GDP)		Illiteracy rate (% of adults over age 15)	
	Coefficient	t-statistic	Coefficient	t-statistic
Gini	–0.0169045	–3.18	0.0736064	1.40
GDP PPP per capita	0.0003741	13.3	–0.0087994	–23.12
GDP PPP per capita squared	–1.10E–08	–9.06	3.77E–07	16.71
R ²		0.354		0.5478
Number of observations		1,048		665

Dependent variable	Hospital beds (per 1,000 persons)		Physicians (per 1,000 persons)	
	Coefficient	t-statistic	Coefficient	t-statistic
Gini	–0.23200555	–6.54	–0.0303383	–7.53
GDP PPP per capita	0.0009548	4.62	0.0002523	11.83
GDP PPP per capita squared	–3.55E–08	–4.4	–7.72E–09	–9.12
R ²		0.1657		0.4028
Number of observations		543		711

Sources: World Development Indicators and WIDER (<http://www.wider.unu.edu/wiid/wiid.htm>).

growth must be high enough to overcome the negative effects of high levels of income inequality.

Moreover, it appears that inequality hinders the capacity of the public sector to operate. Table 4.5 offers some results in this area. Disparities in the distribution of income significantly reduce the revenues from taxes and the economic activity of the State, thereby restricting public expenditure as a proportion of GDP.

This evidence supports the idea mentioned earlier that in environments of high income inequality, wealthy elites (who actually represent the major part of the taxes collected) have the resources to avoid paying taxes. This seriously weakens State capacity, as it cannot obtain the economic resources to finance its activities.

Considering these preliminary results, there is every reason to think that income inequality obstructs the emergence of democracy in two different ways. First, it restricts the development of an educated and vibrant civil society that is committed to a pluralist political system. Second, it weakens the State's capacity to provide effective and accountable public institutions, which are key elements for ensuring the functionality of democracies.

Conclusions

The extensive literature concerning the determinants of democracy identifies many different structural, cultural and institutional factors. However, the ideal combination of these factors is not known, and many researchers have warned about the difficulties of generalizing, much less finding a magic formula. Among others, Lipset (1994: p. 17) maintains, "There are various factors that do shape the probabilities for democracy, but they do not determine the outcomes." The impact of all these variables will vary according to the context in which they operate.

Table 4.5
Income inequality and economic capacity of the State in 124 countries, 1975–99

Dependent variable	Tax revenues (% of GDP)		Total public spending (% of GDP)	
	Coefficient	t-statistic	Coefficient	t-statistic
Gini	-0.2810921	-11.47	-0.310265	-9.52
GDP PPP per capita	0.0019198	14.63	0.0019112	10.98
GDP PPP per capita squared	-6.07E-08	-11.3	-5.97E-08	-8.37
R ²		0.427		0.3147
Number of observations		1,188		1,190

Sources: World Development Indicators and WIDER (<http://www.wider.unu.edu/wiid/wiid.htm>).

The analysis presented here suggests that for developing countries, economic inequality is a key element in this process. Clearly, economic inequality plays a major role in the socioeconomic characteristics of State failure, low income and low levels of human development present in developing countries.

Socioeconomic underdevelopment seems to hold back the formation of internal social movements leading to a democratic system, which is a fundamental determining factor for democracy. In this setting, democracy and the culture of democracy that supports it must be promoted by the State just like any other public good. In doing so, the State has to efficiently provide public services and enhance processes of redistribution so that society as a whole can take part in new economic opportunities.

However, the wealthy elites of society have a decisive and biased influence over the State and its activities, including its economic activities, which are particularly important in developing countries. Movement toward a democratic political system and expanded suffrage implies that the elite would lose their influence over the State and would be under increased fiscal pressure. This is a direct threat to their advantageous position in a society with scarce economic opportunities in which the State is the most, if not the only, profitable agent of the economy. Wealthy elites have all the necessary economic means, motives and, therefore, incentives to obstruct a movement toward a more accountable political system.

Even in those developing countries with recently established democratic practices, such as general elections, wealthy elites have been able to translate their economic power into political power. Among many other factors, the lack of economic resources keeps developing countries from generating suitable complementary mechanisms to avoid this. These results refute the application of the “median-voter theorem” in the context of developing countries. To make a thorough analysis of democratization processes in this environment, one must analyze interest groups.

In addition, it seems fair to say that sustained economic development is not sufficient to create those factors that will lead to democracy in developing countries. For economic growth to set up the internal democratization “apparatus,” we have to know how these new economic resources are distributed and, therefore, to take into account the huge disparity in the distribution of income. It is all too easy to fall into the vicious cycle that inhibits the process of democratization.

Among other reasons, the large disparities in the distribution of income have been responsible for the failure of the democratization processes in many developing countries to bring about either the expected economic development or alleviation of existing poverty. This situation has led segments of the population to think of democracy and economic development as substitutes for each other and not as complements, thereby jeopardizing the success of a more complete development agenda.

The policy implications for the international development community are straightforward. Democracy in developing countries must be a “bottom-up” process, and imposition of a democratic system is therefore unlikely to bring about the desired outcomes. Przeworski (1998: p. 16) argues that “[d]emocracy is a system of positive political rights. But, of itself, democracy does not create the social and economic conditions necessary for these rights to be effectively exercised.” For this to happen, developing

countries and especially the whole society in these countries must be the protagonists of their political change; they must feel that they are the true leaders of this process. As Lipset (1994: p. 17) acknowledges, "The proclamation of elections does not ensure their integrity. The outside world can help, but the basis for institutionalized opposition, for the interest and value articulation, must come from within."

This chapter has attempted to show that in order for a vibrant, civil society to emerge that is committed to the movement toward a competitive political system, one has to consider the pernicious effects of high levels of income inequality. Efforts must be directed to the development of suitable institutional mechanisms that prevent elites from using their economic resources to achieve political power. These mechanisms have to be able to provide more extensive and direct control over public sector activities, making the public sector more accountable.

However, none of these measures will work unless elites in developing countries participate in this process. At this time, the economic resources generated by elites are crucial for developing State capacity. The support provided by elites gives legitimacy and consistency to fledgling democratic systems, fostering their performance and strengthening public institutions. The participation of elites in the national development agenda is crucial for its success.

The empirical analysis provided in this chapter gives some evidence of the likely negative effects of income inequality on the emergence and success of democratization. Nevertheless, these findings need to be confirmed with future research, especially as more data become available. Additionally, the problems of the quality of data will continue to pose major difficulties in the analysis and need to be thoroughly considered. In ideal terms, and for the sake of proper analysis of the mechanisms addressed in this chapter, it would be very beneficial to introduce the effects of inequality when analyzing the type and performance of institutions. It is through institutions that inequality and exclusion spread, interfering with each development project that is initiated.

Time and space limitations prevent us from offering a more robust quantitative analysis of the causal relationship between the two main elements studied here: income inequality and political systems. Diverse and extensive technical problems that surface when defining the relationship, as well as the way in which both variables are related, entail immense statistical complexity.

We can conclude that disparities in the distribution of income have important effects on the social development of developing countries. For these reasons, income inequality must be included in the development agenda not as a substitute for poverty, but as a structural problem in developing countries that hampers any project that aims to alleviate poverty. Although a complicated issue because of the subjective dimension of justice attached to it, the long-standing, extreme levels of income inequality within developing countries present a serious hazard to human development. We cannot dismiss the pernicious effects that sustained inequalities can have in the long term for the advancements achieved in terms of development.

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Appendix

Countries Included in the Sample

1. Algeria	43. Ghana	84. Niger
2. Armenia	44. Greece	85. Nigeria
3. Australia	45. Guatemala	86. Norway
4. Austria	46. Guinea	87. Pakistan
5. Azerbaijan	47. Guinea-Bissau	88. Panama
6. Bahamas	48. Guyana	89. Papua New Guinea
7. Bangladesh	49. Honduras	90. Paraguay
8. Barbados	50. Hungary	91. Peru
9. Belarus	51. India	92. Philippines
10. Belgium	52. Indonesia	93. Poland
11. Bolivia	53. Iran (Islamic Republic of)	94. Portugal
12. Botswana	54. Ireland	95. Romania
13. Brazil	55. Israel	96. Russian Federation
14. Bulgaria	56. Italy	97. Rwanda
15. Burkina Faso	57. Jamaica	98. Senegal
16. Burundi	58. Japan	99. Seychelles
17. Cambodia	59. Jordan	100. Sierra Leone
18. Cameroon	60. Kazakhstan	101. Singapore
19. Canada	61. Kenya	102. Slovakia
20. Central African Republic	62. Korea, Republic of	103. Slovenia
21. Chile	63. Kyrgyzstan	104. South Africa
22. China	64. Lao People's Democratic Republic	105. Spain
23. Colombia	65. Latvia	106. Sri Lanka
24. Costa Rica	66. Lesotho	107. Sweden
25. Côte d'Ivoire	67. Lithuania	108. Tajikistan
26. Croatia	68. Luxembourg	109. Thailand
27. Czech Republic	69. Macedonia, the former Yugoslav Republic of	110. Trinidad and Tobago
28. Denmark	70. Madagascar	111. Tunisia
29. Djibouti	71. Malawi	112. Turkey
30. Dominican Republic	72. Malaysia	113. Turkmenistan
31. Ecuador	73. Mali	114. Uganda
32. Egypt	74. Mauritania	115. Ukraine
33. El Salvador	75. Mauritius	116. United
34. Estonia	76. Mexico	117. United Republic of Tanzania
35. Ethiopia	77. Moldova, Republic of	118. United States
36. Fiji	78. Mongolia	119. Uzbekistan
37. Finland	79. Morocco	120. Venezuela
38. France	80. Nepal	121. Vietnam
39. Gabon	81. Netherlands	122. Yemen
40. Gambia	82. New Zealand	123. Zambia
41. Georgia	83. Nicaragua	124. Zimbabwe

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CHAPTER 5

The Indigenous Side of Inequality

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From Past to Present, or from Present to Past?

When the issue of inequality is addressed, it should be pointed out that one of the key problems currently faced by Latin American indigenous peoples is that after centuries of exclusion and denial, they are still being treated as minorities. In many cases, however, they are not minorities at all, as in Peru, Bolivia and Guatemala, where the indigenous population amounts to over 50 percent of the total national population. Most indigenous groups live in conditions of poverty, and for years, they have been denied the right to an education that considers their cultural, linguistic and religious distinctiveness. In many cases they have lost their main sources of livelihood (such as land, territory and natural resources), and they have been forced to migrate to the large urban centers, where they have access only to precarious, ill-paid and low-quality jobs. Indigenous populations have therefore been excluded not only from the symbolic and material goods to which society as a whole should have equal opportunities of access, but also from the processes that would recognize and grant them specific rights. In order to analyze this process, however, one must not only bear in mind the region's present, but also its historical past, so as to identify the roots of the current problems.

The Historical Perspective of Inequality

In Latin America and the Caribbean, the origins of the current conditions of inequality and exclusion that are based on ethnicity can be found in the European conquest and colonization regimes, which began in the 15th century. During this period, indigenous populations were subjugated for the purpose of using their manpower on a massive

scale for agricultural and mining tasks that nurtured the metropolis. The means to obtain this productive contingent were the so-called debt servitude or *encomienda* systems, and slavery or forced labor.

Colonization established a hierarchical social order in which indigenous peoples were placed at the lowest levels of the social pyramid. The colonial organization itself was based on ideas and beliefs about the inferiority of the indigenous people and the corresponding superiority of Europeans. Therefore, under colonial rule, indigenous populations were subject to continuous intervention and destruction of their ways of life, languages and cultures. In many cases they were displaced, dispersed or expelled from their ancestral territories, losing the social and cultural links that bound them together. In the course of this process, the loss and deterioration of natural resources, together with other factors (work exploitation, illness, etc.), were to become the causes of a demographic catastrophe that, in a short period of time, reduced the estimated indigenous population of the region by half.

The colonization system made the conditions of most indigenous peoples uniform at the regional scale and disregarded their cultural and social differences. Consequently, during the colonial period, the contacts and relationships between native Americans and Europeans gave rise to a deep process of cultural and social miscegenation, with the result that a significant portion of indigenous persons were hidden under a mantle of ambiguity and contradiction.

After the end of the colonial period, relations between indigenous and nonindigenous groups continued to be marked by domination and subordination. Although in certain regions indigenous populations played an active part in independence campaigns, after some years they came to be regarded as obstacles to the achievement of the political and economic goals of the fledgling nations. The so-called indigenous problem became generalized, and it persists. The dialectic that explains relations between indigenous populations and the dominant society—that is, the denial of the other—translated into exclusion, which in turn initiated and gave continuity to a new stage of intercultural relations in the region.

During this new stage, which began at the middle of the 19th century, the position of indigenous peoples became closely tied to the modern project of constructing nation-states, into which these peoples were symbolically integrated, but from which in practice they were excluded. Indigenous peoples were denied, excluded, and in many cases physically exterminated. The construction of nation-states implied the subjugation of indigenous populations, which had until that time (and for several centuries) remained beyond the reach of the Portuguese and Hispanic-Creole powers. It also implied the construction and legitimization of a homogeneous nationality that excluded and denied indigenous elements as a way of denying the cultural plurality that existed within these countries. Indeed, the new republican States, born from the colonial order, were committed to the project of constituting and shaping their own nationalities, with the main objective of achieving one homogeneous “national identity.”

The mechanism that excluded the indigenous populations during the construction of nation-states was one of classificatory logic based on the dialectics of civilization and barbarity. The indigenous peoples were labeled barbarians or uncivilized, and they

lacked States and the capacity to provide themselves with politically organized societies, a coherent economic system or a set of rules of moral conduct.

Under these parameters, States assumed a civilizing role in regard to indigenous populations, with the main objective of assimilating and incorporating them into the patterns of national society. Insofar as they were uncivilized, indigenous peoples lacked their own political and social rights, and had access only to those rights that were “offered” by the State into which they were incorporated, and that were common to all citizens of the nation. In this way, any difference or heterogeneity was erased in the light of the unifying principles of the nation and the State.

As Bronstein (1998) has pointed out, the rule of law espoused by Latin American countries in the 19th century was based on the equality of all inhabitants before the law, in harmony with the principles of a single State, a single nation, a single people, a single way of organizing social relations, a single legal system and a single administration of justice. Even though denial did not have legal status, since no legal provisions explicitly denied indigenous peoples, in practice any possibility for them to exercise their own rights or develop or protect their identities, languages and ways of life was annulled.

Wherever campaigns were advanced to incorporate indigenous peoples into civilization, they took the shape of “whitening” campaigns, directed toward the new citizens and, in the aggregate, toward the nation as a whole. “Whitening,” one of the most extreme forms of denial of the other, managed to be relatively successful through its imposition by the educational system. Together with education, one can find strategies such as the elaboration of national histories, the creation of symbolic devices and the application of direct—often violent—actions aimed at “convincing” populations of the benefits of adhering to the nation and to civilization (such were the cases of Argentina, Chile and Costa Rica, among other countries of the region).

The denial of heterogeneity and sociocultural diversity, located at the very origin of Latin American States, inserted denial into the foundations of the systems of social and cultural reproduction. For example, at the educational level, contents and types of knowledge about indigenous peoples were re-created and transmitted, from generation to generation. These representations did more than just devalue indigenous peoples: native Americans were depicted as beings from the past, as archaeological figures without a genuine existence in the present. On the contrary, whenever attempts were made to address the situation of actual indigenous peoples, they were depicted as backward societies that rejected modernization and ideas of social change. The modern notion of “traditional culture” itself, which is frequently used to refer to the culture of groups excluded from society, reflects the image of static peoples who live permanently rooted to a symbolic place that is opposed and contrary to modernity.

In any case, the mechanisms for the symbolic incorporation of indigenous peoples have varied according to different local circumstances and realities. It is undeniable that not all of the republics were able to deny blatantly the existence of groups whose presence was so evident and influential. Some sought less violent assimilation tactics, such as the incorporation of indigenous cultures and traditions into folklore, for

example, or simple denial, which isolated indigenous peoples from the advances to which the rest of the population did have access.

Consequently, the situation of indigenous peoples in nation-states may be described in terms of exclusion, or nonparticipation in the emerging national project, an exclusion which resulted in poverty and marginality. In some cases, indigenous peoples were the objects (or the victims) of concern by the States and by some specific sectors of society, who, in accordance with the paradigm of symbolic integration of indigenous populations, felt the need to help those who were regarded as the legitimate repository of the “Latin American identity.”

In this line, a new way of thinking about aboriginal peoples emerged by the middle of the 20th century: indigenism, a State policy designed to solve the “indigenous problem.” Even though it had better intentions than earlier movements, indigenism assumed the task of integrating indigenous populations into national life once and for all, a task that it carried out in a paternalistic manner, and with the clear purpose of assimilation.

During the period between the 1940s and 1960s, the main strategy was to bring the main symbols and advances of modern life closer to indigenous populations; this was thought possible through education, and through simply transforming those who still inhabited rural areas into peasants. The new project was structured on the need to equalize, homogenize and incorporate ethnic groups without considering their particular characteristics and identities.

The State’s intervention was critical in this regard, because it was through the public apparatus that the State could enter spheres where no other power had reached. Education, for example, became a mechanism that would eventually have a profound influence on the incorporation process, since it was believed that the distinctive features of indigenous cultures, their languages, religions and ways of life, were obstacles to the harmonious development of the nation. Surmounting these “obstacles” was a task fully assumed by the development policies of the countries of this region between the 1950s and 1960s.

Although local realities gave rise to different processes (such as Mexican, Bolivian or Peruvian indigenism), in general, it was not until the mid-1970s that there was a shift from a paradigm of assimilation to one of greater acceptance of diversity, fueled in particular by new indigenous movements and by academic and political sectors. The legacy encountered by these new movements was one of an indigenous world immersed in marginalization and exclusion at all levels, and with grave socioeconomic conditions.

A number of conclusions may be drawn from this historical review. In the first place, the current situation of ethnic inequality and discrimination is the legacy of colonialism, the product of renewed forms of exclusion and domination, and part of a historical process that, with local and regional variants, greatly influences the current sociocultural, economic and political processes of the region. Thus, the “dialectic of denying the other” (Calderón, Hopenhayn, and Ottone, 1993; Hopenhayn, 1998) form part of a process that has largely been constructed through history, culture and society.

Second, this process has led to the creation of “internal colonialisms” that contradict the myth of real integration. This demonstrates that the discourse on integration of indigenous peoples has had a symbolic character, and that in practice integration has been denied. For indigenous peoples, traditional integration policies represent the dispossession of their symbolic and material goods, and the lack of recognition and/or suppression of their collective rights, as well as the denial of their culture. Integration for indigenous peoples has been a synonym for cultural assimilation and destruction, and has led to situations of marginalization and poverty.

The Indigenous Present: Poverty and Nonexistent Development

The inequality and exclusion experienced by indigenous peoples throughout most of the region’s colonial and national history is clearly manifest in the current situation of these groups. Poverty, unequal access to education and health, deterioration of their habitat, and disregard and violation of their collective rights and fundamental freedoms are the expressions of the internal colonialism still experienced by the majority of indigenous peoples. In spite of this, a process has begun in recent decades through which the claims of indigenous peoples have become more visible, and most countries have come to recognize themselves, at least in legal terms, as multiethnic and multicultural. This represents a significant advance for the implementation of policies, programs and projects aimed at overcoming the historical situation and condition of these populations.

Who Is Indigenous? Demographic Features of the Latin American Indigenous Population

One possible approach to the current situation of indigenous peoples regarding the issue of inequality is to determine their precise numbers and location. However, this is no easy task; in fact, it is full of complexities. The first challenge is to define who is indigenous. It is not easy to agree upon a definition of indigenous peoples given their great cultural diversity, misrepresentation and discrimination (Meentzen, 2000).

In the past, the development of statistics on indigenous peoples in Latin America was based on different concepts and operative indicators, which makes comparison very difficult. We can therefore simply resort to definitions that have already been drafted. The World Bank uses three main variables to identify indigenous peoples: language, self-identification and geographic location. This identification also includes aspects such as the presence of traditional social customs and political institutions, and a subsistence-oriented economy. Despite this approach, the truth is that the definition of who is indigenous and who is not has been the topic of an intense debate. International legal instruments—such as the International Labour Organization (ILO) Convention 169 on indigenous and tribal peoples in independent countries, approved in 1989, the draft American Declaration on the Rights of Indigenous Peoples and the

draft Universal Declaration of the Rights of Indigenous Peoples—have adopted similar definitions. These international agreements define indigenous peoples as the descendants of the original inhabitants of a geographical region before colonization, who have preserved—in whole or in part—their linguistic and cultural traits and social organization. Self-identification is another fundamental criterion used to determine who is indigenous.

In practice, the countries of the region apply different criteria for gathering census data. In some of them, censuses have specifically addressed the topic of indigenous identity through specific questions on the language spoken, mother tongue, geographic location or self-perception. However, in many countries, censuses do not address these issues, and estimates are based on other sources of information.

Adopting an integrated definition of “indigenous person” or “indigenous population” can be particularly difficult if one considers the multiple characteristics and attributes of the diverse existing communities. Although many authors have attempted to formulate a definition of indigenous populations, the accuracy of the notion of “indigenous community” must be determined in terms of specific contexts and characteristics. The proposals outlined above should be complemented with the definition presented by José Martínez Cobo (1986) to the United Nations:

Indigenous communities, peoples and nations are those which, having a historical continuity with pre-invasion and pre-colonial societies that developed on their territories, consider themselves distinct from other sectors of the societies now prevailing in those territories, or parts of them. They form at present non-dominant sectors of society and they are determined to preserve, develop and transmit to future generations their ancestral territories, and their ethnic identity, as the basis of their continued existence as peoples, in accordance with their own cultural patterns, social institutions and their legal systems.

Thus, the notions of indigenous person and indigenous people refer to all those indigenous communities that enjoy a distinct identity, built on the grounds of shared cultural meanings that have been developed in specific historical, social and political contexts.

The difficulties of definition have become obstacles for efforts to determine the size and structure of the Latin American indigenous population. The censuses carried out to date are scarce and incomplete and are based on different types of variables and criteria, which makes it difficult—or impossible in some cases—to compare data among countries. The importance of censuses cannot be overstated when one considers the role they can play in determining people’s ethnic origin. Indigenous peoples themselves regard censuses as effective mechanisms for giving evidence and visibility to their presence in national and international spheres. The census becomes a political instrument for the indigenous people to reinforce the discourse on identity and to claim recognition as a real entity. At the same time, States and governments use the data provided by census records to make decisions, establish measures and implement policies.

Several sources (Deruyttere, 1997; Peyser and Chackiel, 1999) agree that the indigenous population approaches 8 percent of the region's population, which amounts to 33 to 35 million people representing some 400 different language groups. Indigenous peoples are present in every Latin American country, except for Uruguay (although the issue is subject to debate in that country). According to estimates, in the Caribbean islands there are between 30,000 and 50,000 direct descendants of indigenous peoples; indigenous groups account for 30 to 50 percent of the total populations of Bolivia, Ecuador, Guatemala and Peru. One-fourth of the indigenous peoples of the Americas live in Mexico, and while accounting for only about 10 percent of Mexico's total population, indigenous groups have major cultural, historical, and traditional significance for the country. Almost 90 percent of the indigenous peoples in the region live in just five countries (Peru, 27 percent; Mexico, 26 percent; Guatemala, 15 percent; Bolivia, 12 percent; and Ecuador, 8 percent).

These data provide a more accurate measurement of the gravity of inequality affecting indigenous populations, and serve to identify the countries where this issue should be given more importance at the national level, since we are speaking not of ethnic minorities, but of majorities. Still, these data fail to reflect the real size of the indigenous population, much less its sociodemographic characteristics, given that the available information is based on partial censuses and estimates.

For States and power groups, the size of the indigenous population has been a central argument for the treatment of indigenous peoples as "minorities," regardless of whether they are or not in quantitative terms. The historical practice of some States in the region proves that it is not enough for an indigenous population to exceed 51 percent of the national population in order to be considered socially, politically and culturally relevant for society. On the contrary, discrimination and the implementation of assimilation policies under the banners of national unity and homogeneity have attempted to "erase" those who support and defend their own identity, whether or not they constitute a majority of the population. Therefore, the number of indigenous people is not a synonym for higher or lower equality; indigenous peoples are excluded and marginalized regardless of the percentage that they represent in national contexts.

In countries like Brazil, where, according to different estimates and censuses, the indigenous population is between 0.1 and 1 percent of the total national population, indigenous groups are recognized in the constitution. Experience shows, however, that constitutional and legal recognition of indigenous peoples does not necessarily mean a change in their historical situation of marginalization and exclusion. In contrast, in Chile, where the percentage of indigenous population approaches 10 percent, there is still no constitutional recognition of their existence, and it is one of the few countries with a significant indigenous population that has not ratified ILO Convention 169. Guatemala, which has an indigenous population of over 50 percent, suffered a prolonged civil war in the 1980s. Indigenous groups were the most affected by this war, but paradoxically, they continue to be marginalized in regard to access to power and national decision-making.

Another aspect of statistical and sociodemographic information is that global figures do not reflect the profound heterogeneity of indigenous populations. The word

“indigenous” is, in itself, a general way of defining the situation and the condition of important segments of Latin American society, which are usually poor populations excluded from the processes of modernization and modernity. Another distinctive feature is the demand for recognition of their ethnic identity. This is rarely expressed by other groups with the same force and urgency as among the different indigenous groups today in Latin America and the Caribbean.

Notwithstanding the shared features of the indigenous condition, many collectives or communities coexist within the countries of the region. They represent diverse linguistic communities, some of them interlinked, others separated by different idiomatic branches that cohabit or share common territorial spaces.

The diversity of indigenous peoples is also expressed in the varied geographical spaces they occupy in individual countries and in the continent. Even though indigenous people are still associated with rural existence, increasingly evident are rural-to-urban migrations and the natural growth of the population of indigenous origins in urban areas. In Chile, for example, it is calculated that 80 percent of indigenous people reside in urban areas, and most live in the metropolitan area of the capital. In recent decades, large cities like Lima, La Paz and Mexico City have received a higher influx of indigenous people than was the case historically, largely owing to the deterioration and stagnation of community/peasant economies, the loss of productive resources, and the lure of (and need for) paid urban jobs.

Poverty and Marginality

Most indigenous peoples live in conditions of extreme poverty (Psacharopoulos and Patrinos, 1994; Plant, 1998). Following Meentzen (2000), and as outlined in previous sections, we can state that multiple forms of exclusion condition the poverty of indigenous peoples. Economic growth, democracy and equity in Latin America were not sufficiently integrated in the past, and the result is highly heterogeneous and unequal societies, in which indigenous peoples have been the most severely affected. At the beginning of the new millennium, centuries of domination and exclusion of indigenous populations translate into their having the worst social and economic indicators in the region.

Empirical studies by the World Bank, the Inter-American Development Bank (IDB) and other bodies have revealed a high correlation between poverty and ethnic origin. A large majority of indigenous peoples are among the poorest segments of society, and it is estimated that one-fourth of the inhabitants of Latin America who live in extreme poverty are indigenous (Deruyttere, 1997). This proportion is much higher in countries with relatively large aboriginal populations, such as Bolivia, Guatemala, Peru and Ecuador. Institutions such as the IDB have calculated that in the countries where there are household surveys disaggregated by ethnicity, up to one-fourth of the differences between levels of income can be explained by the sole fact of belonging to an indigenous ethnic group. Thus, indigenous sectors are consolidated as those with the highest levels of poverty and a low quality of life.

One of the clearest examples of the large disparity between indigenous and nonindigenous populations in regard to levels of poverty can be found in Mexican municipalities. When municipalities are classified into those with low, medium and high indigenous presence, the levels of poverty are found to be almost four times higher in those municipalities with the greatest indigenous population (where levels of poverty reach almost 80 percent), and the levels of extreme poverty are almost 20 times higher (extreme poverty approaches 40 percent).

Examples such as the Mexican one show that even though the incidence of poverty is high throughout the entire Latin American region, it is particularly severe in the indigenous population. In Bolivia, over one-half of the total population lives in conditions of poverty, and two-thirds of the country's indigenous population lives in poverty. In Guatemala, almost two-thirds of the nation's population, and 90 percent of the indigenous population, lives in poverty (Davis and Patrinos, 1996). More data reveal similar diagnoses: in Peru, the level of poverty is 79 percent among indigenous peoples and 49.7 percent among the nonindigenous population.

For Latin American indigenous peoples, poverty is not just material but also symbolic: indigenous populations have been structurally impoverished. Their poverty can be measured by their lower number of years of schooling, their lack of information and access to communications media, and their total lack of access to power, to public decision-making and to social and professional promotion. Inequalities, therefore, are interrelated as a system, and they have a synergistic influence on each other.

Poverty statistics or results often correlate to other welfare indicators that allow us to see in more detail the disparities that exist between indigenous and nonindigenous populations. First, one can consider educational performance. Education is one of the central factors in the inequality and exclusion experienced by indigenous populations and by ethnic and national minorities. The poverty of ethnic and racial groups provides the best evidence that the educational models applied so far have not produced the effects that were once envisioned: namely, integration into the national society, together with the assimilation of alien cultural values. Educational inequity is expressed among indigenous peoples in two ways: on the one hand, in exclusion from, or difficulty in obtaining, access to the system; on the other, in pedagogical contents and strategies that generally do not incorporate diversity or specific social features, and instead become instruments of domination and assimilation.

The exclusion of indigenous peoples from educational systems is clearly manifest in high rates of illiteracy, especially among the older groups, and in low average numbers of years of schooling, especially in intermediate and higher levels of education. In Ecuador, for example, only 53 percent of the indigenous population has access to primary education, 15 percent to secondary education, and 1 percent to university or higher education (PAHO, 1998). In 1999, only 21 percent of indigenous youths in Ecuador were attending school (Ministerio de Bienestar Social del Ecuador, 2001). According to Panama's 1990 census, the illiteracy rate was 15 percent in the rural sector, 3.3 percent in the urban areas and 44.3 percent among the indigenous population.

In the regions of Mexico with the highest indigenous population, illiteracy is double and often triple the rates in the rest of the population. In areas like Hidalgo, some 5,000

indigenous children drop out of classes every year because of poverty and the need to participate in productive labor (OAS, 1998). Fifty-nine percent of indigenous children under 5 years of age do not attend preprimary school, and 28 percent of those between 6 and 14 years of age do not go to school. Consequently, 43 percent of the indigenous population over 15 years of age lack any sort of formal instruction, one-third do not complete primary school, and slightly more than 10 percent have some level of postprimary instruction. Whereas the illiteracy index of the general adult population in Mexico is 12.4 percent, that index rises to 46 percent for indigenous peoples (OAS, 1998).

In the case of Guatemala, the majority of the indigenous population does not have any formal education, and among those who do have it, most only have primary education. On average, the indigenous population has only 1.3 years of schooling, and just 40 percent is literate (Davis and Patrinos, 1996). In addition, Maya-speaking children, if they attend school at all, have a higher chance of repeating courses at the primary level, as well as a higher chance of leaving school. In Bolivia, the duration of schooling among the indigenous population is, on average, approximately three years less than that of the nonindigenous population.

From a gender perspective, differences are even greater for indigenous women. The Mexican case is among the best to illustrate the situation. Comparisons between the educational "talent" of indigenous and nonindigenous Mexican men and women indicate that, even though significant progress has occurred for all groups (especially women) regarding the average number of years of schooling completed, indigenous women continue to be at the greatest disadvantage. On average, they complete less than four years of formal education, in contrast to five years for indigenous men, eight years for nonindigenous women and nine years for nonindigenous men. The figures on educational achievement in Peru, where the average years of schooling have increased for all groups, show that indigenous women continue to receive three years less education than nonindigenous men and women. It is interesting to note that the recent decline in overall educational levels has not affected indigenous women, and is serving as an equalizer among ethnic groups (Deruyttere, 1997).

Overall, 20 percent more of the nonindigenous population has an education compared to indigenous peoples. Davis and Patrinos (1996) observe that in Peru, the indigenous population not only is less educated and less literate than the Spanish-speaking population, but it also lags behind in terms of training.

Here, it is interesting to point out a few illustrative cases. In Brazil, for example, through a simple test carried out in November 1998 with Terena-speaking indigenous students from the Aquidauana region (Mato Grosso), it was found that 53 percent could neither read nor write. In addition, the rates of course repetition among native children exceeded 50 percent (Lupiya, 1999). Likewise, in Araucanía (one of the poorest areas in Chile where the country's Mapuche population is concentrated), 63.1 percent of the population over 14 years of age had completed some level of primary education (4 to 8 years), 13.9 percent had never attended school, and only 4.1 percent had higher education (Fundación Instituto de la Mujer, 2002).

To the problems of educational access and coverage, one should add the problem of pedagogical "pertinence." Until the beginning of the 1990s, most countries of the

region, with a few exceptions, had not addressed the topic of intercultural processes and bilingualism. To date, education for indigenous peoples has been a mechanism and instrument used to take control of specific cultures in a context of dominance by a “national culture.” However, several studies have demonstrated the failure of this strategy (Zúñiga, Ansión, and Cuevas, 1987) and the need to find different ways to enable indigenous societies to incorporate themselves into the codes of modernity without losing their ethnic identity, their language and their culture in the process.

It is well-known that the educational systems to which the Latin American indigenous children have access do not take into account the traditional and cultural values of indigenous peoples, which has doubtlessly contributed to the extremely high rates of illiteracy among indigenous communities. There are cases, such as in many areas of Peru, where the native language of the rural schoolchildren is not Spanish, and they are not familiar with the habits and customs of their teachers, who come from urban areas or from other regions. Boys and girls are underestimated by their own culture, and they are forced to study in a language with which they are unfamiliar. Situations such as this one demonstrate the need to overcome the old approaches of attempting to assimilate those who are culturally different. The application of language policies in the region, some of which trace their antecedents to the indigenist policies of previous decades, is an example of a change in this approach. Most of these policies incorporate intercultural bilingual education programs and projects, and they are based on constitutional recognition of indigenous peoples, their languages and their cultures.

In terms of health, several organizations have demonstrated that ethnic minorities have experienced a greater deterioration of health conditions than the median experience of the general population. Ethnic groups suffer different degrees of exclusion from social protection in the area of health in almost all of the countries in the region, and ethnic discrimination is one of the main causes of health inequality (PAHO and ECLAC, 1997).

In Peru, for example, the indigenous population is more likely to suffer illness than the nonindigenous sectors of the population; this population is also less likely to have access to, or consult, a physician (Davis and Patrinos, 1996). Perhaps as a result of poor access to health services, or lack of treatment, the duration and severity of disease is higher among indigenous populations. The proportion of hospitalized indigenous individuals is almost double that of the Spanish-speaking population. Even though the average costs of both hospitalization and medicines are lower for indigenous populations, only 57 percent of indigenous people purchase medicines to treat their illnesses, in contrast to 81 percent of the nonindigenous population.

Another example of the disadvantages for indigenous peoples in matters of health may be found in the case of Bolivia. The provinces with the highest rates of indigenous populations are the ones with the worst health indicators in the country. The infant mortality rate among Quechua speakers is more than double the rate found in centers where Spanish is the predominant language; this comparison is slightly more favorable for Aymará speakers. Whereas in La Paz, child mortality reached 106 per 1,000 live births, in the Aymará departments of Oruro and Potosí it was between 120 and 135 per

1,000 live births. In Chile, the infant mortality rate for the country's indigenous populations is more than twice the national average. In Guatemala, the difference between infant mortality rates for the indigenous population and that for the total population is less extreme, only because the indigenous population makes up about one-half of the total population.

Child malnutrition—both serious and moderate—in children younger than five years old is higher than the national average in the Bolivian provinces of Inquisivi, Franz Tamayo and Omasuyos in the department of La Paz (PAHO, 1998). Among the Quechua, the level of access to health services is similar to that among the Aymará; whereas in the provinces with a lower proportion of indigenous population, 70 percent of the population has access to health services, in Quechua provinces (such as Tapacaré) only 11 percent of the population has access. In the Quechua provinces, the majority of the population (between 50 and 85 percent) has access only to traditional (i.e., non-Western) medicine. Incidence rates of communicable diseases among the Guaraní groups are five to eight times higher than the national average.

The Ecuadorian case is also worthy of attention. In 1999, fewer than one-fifth of indigenous births were attended births at public health centers. In 1995, 45 percent of all indigenous women received no prenatal care, while women across the country had an average, in that same year, of 4.5 consultations during their pregnancies (Ministerio de Bienestar Social del Ecuador, 2001).

In Venezuela, the indigenous population also presents high negative health indicators, particularly among the groups that live in forested areas and those subject to migrations. According to some studies, between 58.3 percent and 84 percent of the Amazonian Yanomami population becomes infected with hepatitis B at some point of their lives; hepatitis B ranks third, after malaria and malnutrition, as cause of death. The Yanomami, ancestral inhabitants of the Amazon forests, also suffer from a number of other infectious diseases throughout the Orinoco basin. Given the surface and population density in these forested areas, low medical coverage contributes to this situation, and makes access to, and periodical health assessments of, the population in question very difficult. Even though a number of mass vaccination programs have been organized in some indigenous communities (especially between 1992 and 1995), diseases such as tuberculosis affected up to 167.9 per 100,000 inhabitants among the indigenous population of Zulia State as of 1998, whereas among the nonindigenous inhabitants this figure was 27.7 per 100,000 inhabitants (PAHO, 1998).

A similar situation exists in Panama. The provinces with the highest indigenous populations clearly show worse health indicators when compared to the rest of the population. In Boscas del Toro Province, for example, mortality from diarrheal illnesses rose to 34.4 per 100,000 in recent years, while the national rate was 6.4 deaths per 100,000. In the San Blas region, the incidence of cholera in 1993 was 80 times higher than the national rate, and the incidence of pneumonia in 1994 was 6 times higher than the national rate (PAHO, 1998).

Colombia has not been exempt from this situation, and some studies indicate that among indigenous populations the infant mortality rate is 63.3 per 1,000 live births, while the national rate is 41.3 per 1,000, and the rural rate is 50.5. This shows a clear

disadvantage for the indigenous inhabitants in health care access when compared to urban inhabitants. Likewise, Ceaser (2002) reports that in Paraguayan indigenous populations, infants are affected by serious health problems. Some 80 percent of indigenous households are infested with *Triatoma infestans*, a vector of Chagas' disease. The incidence of tuberculosis among these groups is one of the highest in the world.

It is important to consider that for decades, discrimination against traditional medicine in favor of Western medicine has led to neglect or denial of reliance on indigenous peoples' rich medical traditions. In the future, community-participative management of health services, shared training programs and the validation and recovery of traditional medicine are viable strategies for the improvement of health indicators among indigenous populations.

Some studies have opted for a generalized analysis of available indicators, and they prefer to address unsatisfied basic needs. However, their conclusions are the same, and their results demonstrate that the areas with the highest levels of unsatisfied basic needs coincide with the locations of the indigenous populations of the region. Thus, in countries like Mexico, more than 50 percent of the housing units in indigenous regions lack electricity, 68 percent lack piped drinking water, 90 percent lack sanitation facilities, and 76 percent have dirt floors (Enríquez, 1998). The Honduran case is also illustrative of this situation: less than 50 percent of the population has direct electrical service, and the country's indigenous population is excluded from the population that does have electricity. Utilities such as electrical infrastructure or sanitation services have not arrived in the Peruvian Amazon or on the remote islands of the San Blas archipelago in Panama, and the indigenous groups there are too poor to pay for any sort of service. Therefore, these data provide additional confirmation of the high correlation between the ethnic factor and extreme poverty.

This set of indicators provides evidence of the critical situation of the region's indigenous population. Conditions for these groups in terms of human development are very insecure in all aspects, and there is a clear gap between the conditions of indigenous and nonindigenous populations of the region. It is also important to note that there is a gender gap within the indigenous population that severely affects indigenous women. The issue of gender has started to gain relevance in indigenous communities, even though the precarious situation of indigenous women has been evident for decades.

The inequalities and social imbalances derived from the exclusion and marginalization of indigenous peoples in Latin America and the Caribbean are directly related to the depletion of their natural resources, and to the reduction and loss of their ancestral territories. In several countries, large development projects that benefit the majority of the population often have negative consequences for indigenous peoples. For example, the indiscriminate clearing of native forests, oil extraction, and the construction of dams have had devastating consequences for indigenous groups and their environment. The relation of indigenous groups to their land has a meaning that is not reduced to economic-productive factors, but rather it is part of a vision that unites social, cultural, spiritual, religious and economic factors. In recent years,

the rights of indigenous peoples in relation to their territories have increasingly been ignored or denied by the law of modern States. These laws disregard the customary or distinctive legal systems through which indigenous groups regulate the use, occupation and distribution of lands (as is the case of the Yanomami peoples in the Amazonian territories of Venezuela and Brazil).

Instead of analyzing these many variables and indicators individually, we can draw a general conclusion: under historically constructed conditions the ethnic factor is a determinant of unequal distribution of resources and inequality of opportunities. The poverty of indigenous peoples is the main expression of this phenomenon.

The Emergence of a New Strategic Actor

The situation described above has prompted the emergence of several movements based on ethnic identity; they aim to demonstrate the limits of a democratic system that is constructed on the ideal of a nation-state and that relegates indigenous peoples to a secondary position. It can be argued that the indigenous movement emerged in response to government neglect of the aspirations, demands and needs of indigenous peoples, together with denial of the rights claimed in regard to land, education, health, participation in State powers and exercise of public roles. In more general terms, one could speak of a reaction to precarious living conditions and to a system which has proven incapable of offering equal opportunities to indigenous peoples.

The first modern indigenous movements appeared in the 1960s and 1970s, often in marginalized regions, and within minority groups: the Shuar (Jívaro) of the Ecuadorian Amazon, the Paez and Guambiano of the Cauca region in Colombia, the Aymará in Bolivia, the Quiché and Cakchiqueles of Guatemala. Similar movements were to emerge later in most countries of the region, gaining not only national importance but also international attention.

Early on, these movements appeared at the local or regional level, mainly around economic and social conflicts and challenges. In the Brazilian, Ecuadorian and Colombian Amazon, they emerged as a result of conflicts with large livestock operations, the State or companies engaged in the exploitation of forest and mining resources. In the Bolivian Andes, the Katarista movement was mainly one of indigenous peasants, associated with workers' unions, which focused on claims related to land, tax and credit matters, the market and transportation. This movement also concentrated on issues of production and trade that the peasant indigenous groups (together with merchants) mobilized in the Ecuadorian Sierra and the Guatemalan mountains. Allied with workers' unions and political organizations, these movements took part in their countries' democratic struggles such as the fight against the Banzer dictatorship in Bolivia, or for municipal democratization in Guatemala. Central to these movements was the principle of identity, and the recognition that peasant sectors were starting to demand greater participation.

A second phase, which occurred in the 1980s, was marked by disagreements and setbacks, whether because of immersion in violence (as in the cases of Guatemala

or Colombia) or because of internal breakdown of the movements (as happened in Bolivia). The reign of terror in the Peruvian Andes prevented the emergence of a movement of this type altogether. Indigenous groups were included among the main targets and the main victims of military repression, but at the same time, they were in conflict with revolutionary organizations, including the Shining Path in Peru, the Revolutionary Armed Forces of Colombia (FARC) and the Sandinista government in Nicaragua. In spite of these developments, by the end of the 1980s demands for territory, autonomy and self-determination were being made. At the beginning of the 1990s, at the conclusion of armed conflicts and the so-called lost decade, the emphasis shifted from class struggle to the affirmation of indigenous rights and demands for cultural rights. Indigenous organizations reappeared on the political scene, demanding recognition of their status as peoples and nations, and attempting to objectify their own sociocultural realities and the nation-states of which they form part. This objectification process aims to describe and affirm the existence of a set of cultural features that characterize indigenous societies. These features are the basis of a discourse through which indigenous organizations demand that States grant them a particular legal status and a set of collective rights.

The making of notions such as indigenous “lands,” “peoples,” “nations” or “nationalities” by almost every indigenous organization illustrates a process of creation of new self-identification categories, and of new social and political identities that are territorially, socially and culturally broader than local communities. This shift was one of the factors that triggered recognition by several Latin American States of the multicultural and multiethnic character of their nations.

However, in most cases, this recognition did not go beyond declarations of intent. Several examples demonstrate this, such as the case of the Mexican government’s failure to comply with the San Andrés Accords concerning “indigenous rights and culture,” which it had signed in 1996, and the rejection in Guatemala in a May 1999 referendum of constitutional reforms relating to the “identity and rights of indigenous peoples.”

In regard to indigenous organizations, the regional panorama is very diverse and the differences among countries are very broad. Today, Ecuador is one of the most significant countries in terms of contemporary indigenous movements. Some 15 years ago the Indigenous Coordinator of the Amazon Basin (*Coordinadora Indígena de la Cuenca Amazónica*, or COICA) was created, which now brings together the representatives of existing national organizations. Ecuador is notable for the unity of its indigenous organizations, grouped under the Confederation of Indigenous Nationalities of Ecuador (*Confederación de Nacionalidades Indígenas de Ecuador*, or CONAIE), which gained legitimacy during the indigenous uprising of June 1990. However, this situation is not typical of the entire region, and one finds at the other extreme countries like Brazil, where there is still no organization with an effective national scope. In this sense, the history of contemporary indigenous movements is a short one, and it has followed different paths depending on the national contexts.

However, there are fewer differences when one considers the demands of indigenous movements and organizations. In general, the following are the most important

claims of indigenous movements in Latin America: recognition of their territory; defense of their cultures, their languages, their dignity, and the respect they deserve as a people; and the defense of nature, of which they feel they form a part. None of these claims is included in the programs of political parties, except for parties that have an indigenous base.

Among these claims it should be emphasized, in the first place, that territory implies land, but not just a parcel claimed for a family or individual in the classical Western notion. Instead, it is the complex interaction of indigenous peoples with the idea of land. Territory refers to natural, territorial and economic resources, but also to cultural and political resources; it refers to control over these resources and to the right to use them in accordance with their own needs and their own logic of production and consumption.

In this sense, territorial claims have two distinct dimensions: space and processes. Space is reflected in the demand for use, enjoyment and management of natural resources. Control is claimed over political, economic, social and cultural processes in order to ensure the group's reproductive, material and cultural continuity. These processes should be carried out in accordance with the indigenous peoples' own rules. Territory is, therefore, a system of both resources and jurisdiction for the exercise of collective rights that pertain to the indigenous people. As a result, indigenous territorial claims are frequently depicted as an attack on the unity of the nation-state.

In the second place, the defense of languages and cultures is an unambiguous demand in the struggles of indigenous organizations and movements to obtain intercultural and bilingual education programs. This aims to provide relief from the official educational systems imposed by many States as a key element in the processes of constructing nation-states, which assume that Spanish is the mother tongue of all the country's inhabitants. In the third place, from their conditions of poverty—and often extreme poverty—indigenous organizations and movements demand the dignity and respect they deserve, which they have been denied for years.

This calls into question the established ideal of equality (we could say proposed as universal by the French Revolution of 1789), because indigenous peoples defend their right to be different and to remain different. Consequently, they claim an ethnic citizenship, a dual citizenship: that of the nation-state and that of the indigenous group to which each individual belongs. When indigenous movements demand the defense of their territories, of their languages and cultures, what they are actually demanding is recognition of a collective right that was not foreseen in the French Revolution's Declaration of the Rights of Man and the Citizen. The picture becomes even more complex and troubling if one takes into account that a significant number of men and women have no birth registration records or personal documents and are therefore excluded from that small section of citizenship. Most of them are indigenous.

The formal concept of equality of all individuals within the ideology of the nation-state conceals profound inequality of opportunities for individuals and peoples to fully exercise their rights. Precisely on this point it should be cautioned that, from the indig-

enous perspective, the issue is not to reject the ideal of equality and replace it with the ideal of difference. The aim is to find an ideal in which equality in a given set of rights coexists with the right of indigenous peoples to be different.

However, one cannot speak of complete uniformity in the wishes and claims of indigenous organizations and peoples throughout Latin America. These claims are so recent, and so alien to classical indigenous organizations, that short discussions on the need to advance these claims, and the quick visit of a leader to a supporting community, are not enough to provide a foundation on which to build hopes, and less still to create an obligation. The picture becomes even more complex if one takes into account that the ethnic diversity within the region implies very serious conflict and rivalries among indigenous peoples themselves. The need for unity among all indigenous groups is more of a desire than a reality. Thus, it could be said that the unity of indigenous organizations is more of a problem than a reality. The political future of the indigenous movement depends on how they establish their unity.

The analysis of the indigenous movements in Latin America leads us to the following conclusion: it seems that indigenous peoples are alone, and doubly alone because of their own choices, and because of the indifference of the political class. Confronted with the denial of indigenous peoples by the principles of the nation-state, indigenous organizations often reaffirm their own identity in open opposition to Western society. Most leaders' speeches are radically anti-West. They do not yet recognize that the so-called white world is not uniformly anti-indigenous, and that the indigenous world still lacks a clear identity.

Nevertheless, indigenous organizations have achieved relative success in that they have emerged as sophisticated actors within the traditional political system. Demonstrating that they can present eligible candidates, these groups are making efficient use of the media and the legislative process in order to defend their community interests, and they are promoting changes in areas as varied as land and water rights, education, health care and the environment. It is significant that indigenous political parties in Bolivia, Colombia, Ecuador and Venezuela have emerged during the last decade. In these countries, indigenous movements formed political parties after the codification of special constitutional rights for indigenous communities, or changes in electoral laws that reduced barriers to enter into the political party system.

The results are obvious. In the 2003 presidential elections in Ecuador, candidate Lucio Gutiérrez won a crucial bloc of votes when he secured the support of the Pachakutik indigenous movement. Pachakutik now has 12 of the 100 seats in congress, and it controls nearly 10 percent of the country's municipal governments. During the last elections in Bolivia, the main opposition group, the Movement toward Socialism (*Movimiento al Socialismo*, or MAS) won seats for 35 congressional representatives, including 22 indigenous legislators. The Bolivian Congress also included six members of the Pachakuti Indigenous Movement (*Movimiento Indígena Pachakuti*, or MIP), directed by Felipe Quispe. In a congress composed of 157 representatives, indigenous legislators form a bloc that is large enough to decide the fate of any legislative bill. To a lesser degree, thousands of indigenous leaders in Brazil,

Chile, Colombia, Guatemala, Mexico, Peru and other Latin American countries are using electoral politics to defend the interests of their communities, whether as legislators, governors or mayors.

This political activism is in sharp contrast to the situation that existed 20 years ago, when most of the countries of the region were beginning to emerge from decades of oppressive dictatorships. The indigenous movements of that period used protests and demonstrations to draw attention to the grave situations of their communities and the disproportionate poverty they were suffering. A mistrust cultivated during years of absolute discrimination caused an instinctive reluctance among indigenous peoples to forge political alliances with the traditional parties. The mere idea that an indigenous candidate could gain a high position in the public sector was simply unthinkable. So now, even though protests continue to be popular instruments of change, indigenous groups have also emerged as sophisticated actors in the traditional political system.

This demonstrates a gradual evolution of the Latin American indigenous movement. In general terms, indigenous movements had been marked by short-term vision and by their struggle just for aspects related to specific demands. There was no tradition of generating proposals or alternatives to the issues questioned or criticized. However, at the present time indigenous peoples themselves realize that this type of struggle is not an effective way to attain their objectives, and they have been forced to opt for approaches such as the electoral process.

The creation and electoral success of indigenous or ethnic parties represent improvements in the level of representation of indigenous peoples and their interests within the formal political system. It is yet to be seen whether their representatives can fight for the needs of indigenous populations more effectively than the clientelist and populist parties that continue to compete for their votes.

Advancement in the electoral arena has led the political agenda of indigenous groups to become gradually more ambitious. They are no longer willing to join other vulnerable social groups, but instead claim autonomy in conducting their own affairs. They claim the right to their own identity and their culture; in other words, they demand recognition. They have stopped being passive objects and have become the authors of their own debate. Through the success of distinctively indigenous parties, a political space has been gained from States, and indigenous peoples are gradually coming to be recognized not only as the object of State policies, but also as subjects. However, the claims of indigenous peoples cannot be understood independently from the State's active will.

It is valid, then, to state that in Latin America, the last decade has been marked by the undeniable presence of indigenous movements. In fact, indigenous peoples have emerged as new social and political actors, with an increasingly recognized presence in national politics. This has led indigenous organizations to address governments directly, posing different types of claims, and even questioning the concept of the nation-state, as well as the notion of unified republics. Precisely what the indigenous organizations and movements are currently claiming transcends inclusive democracy. We shall see in the following section the advances made in this regard.

Toward the Recognition of Identity: Indigenous Peoples and State Reform

Along with poverty, the problem of indigenous peoples' political participation and representation is also at the core of their exclusion and inequality. During recent decades, indigenous organizations' social mobilization and political demands have signaled the need for States to carry out deep reforms in the area of political participation and representation, in order for indigenous peoples to be recognized as key elements of the citizenship, the social integration and cohesion, and the democratic governability and stability of Latin American and Caribbean countries.

It is fitting, then, to ask: What are the spaces occupied by indigenous peoples, in conditions of equality, in the democratic transitions of Latin America? Each country has its own characteristics and challenges. The purpose here is not to make a detailed analysis of each one, but rather to reflect upon the main changes that have taken place at the regional level, and to underscore the challenges that must be addressed in order to achieve genuine multiethnic and multicultural States. It should be emphasized that the legal-institutional reactions to the referenced situations of inequality have come about, in the first place, through constitutional recognition of the multiethnic and multicultural composition of the populations of a number of Latin American States. This is reinforced by corresponding ratifications of ILO Convention 169, which constitute an important symbolic break with the past (Assies, Van der Haar and Hoekema, 2000).

As suggested by Assies, Van der Haar and Hoekema (2000), the emerging international standards and the new pluralist constitutionalism imply the recognition of collective rights; they also advocate explicit recognition by States of indigenous peoples' right to self-government, within a given territory and in accordance with their own political and legal customs. It could be said that such formal recognition entails a challenge: that of striking a balance between indigenous participation in the State and in its institutions, and respect for the autonomy of indigenous institutions.

However, reform processes must take on much more than recognition of multiethnicity and multiculturalism; they must also formulate a new development model that can overcome the disparities described in the previous sections, and renew democracy. State reforms must respond to the demands of democratization, which include recognition of multiculturalism and multiethnicity. Therefore, any future reforms should entail a significant shift in the usual nation-state model, and in the notions of democracy and citizenship that are practiced within this model (Assies, Van der Haar, and Hoekema, 2000). The challenge is not only to promote indigenous peoples' participation in the development process that is sought through these reforms, but to achieve their participation in the very definition of such development. This requires that they be adequately represented and participate in the political process (Assies, Van der Haar, and Hoekema, 2000).

Some countries of the region, like Bolivia, have introduced modifications into their institutional arrangements to allow for the recognition of indigenous identities, the reduction of inequalities and the incorporation of indigenous collectives into develop-

ment processes. This was done, for example, through the creation of the Vice-Ministry of Indigenous Affairs and Aboriginal Peoples within the Ministry of Sustainable Development and Planning. This Vice-Ministry is in charge of the policies that relate to indigenous peoples, and it must guarantee that the multiethnic and multicultural principles intersect with all State structures. The progress achieved in Venezuela is also noteworthy because efforts have been made to secure the active participation of ethnic groups in the definition, formulation and implementation of educational, cultural and linguistic policies by way of the National Education, Culture and Languages Council. Among the measures adopted, it is worth mentioning the mandatory presence of interpreters in the judicial system, the establishment of public offices related to ethnic groups, and the translation of official documents into indigenous languages. However, the state of affairs in Bolivia and Venezuela is not one that is common to the entire region, either because comparable entities have not been created or because the indigenous people have rejected them.

The Guatemalan case is a good illustration of this situation. Assies, Van der Haar, and Hoekema (2000) show that most of the indigenous peoples' organizations in this country have rejected the creation of a secretariat or department of ethnic or indigenous affairs, because they believe it would limit their concerns to a single State agency, instead of allowing them to be present in the entire range of official institutions. According to these authors, this case proves that openness is required in order to achieve coexistence within a multicultural and multiethnic framework, that is to say, to achieve indigenous participation without giving up on indigenous institutions. Another clear example of this is to be found in Mexico, where indigenous claims have focused on gaining access to the State's political institutions, while seeking at the same time to strengthen their own institutions in order to facilitate their participation. This is not an exclusively ethnic proposal, but rather a project for the construction of an alternative society and a different political culture. For indigenous peoples, this represents the challenge of formulating proposals for development, social policies, and so on that transcend and actually require the reformulation of their specific demands. This has allowed them to win the support of other social sectors—a synergy that has contributed to the above-described constitutional reforms, even though it is not entirely free of tensions (Assies, Van der Haar, and Hoekema, 2000).

Assies, Van der Haar, and Hoekema (2000) maintain that even though the development of new forms of indigenous participation inside the State and its institutions is an important aspect of the new pluralism, respect for the autonomy of indigenous institutions is another critical component. Combining these two features becomes the most serious challenge in the fight against inequality and for the incorporation of indigenous populations at all levels, given that it implies a profound reform of the current State structure and a revision of the notions upon which it is based. It is at this point that pluralism should be addressed, understood as the confluence of internal self-determination and the recognition and accommodation of collective rights.

For Assies, Van der Haar, and Hoekema, indigenous demands for autonomy represent a challenge to the current notions related to the monopoly on the use of violence and on State sovereignty. They maintain that the formal recognition such claims are

currently receiving is an attempt at a less significant incorporation of indigenous peoples into the national system, instead of a genuine recognition of pluralism.

The recognition of legal pluralism also assumes the recognition that indigenous justice is equally worthy of respect, even though autonomy in this area cannot lead to unlimited relativism (Assies, Van der Haar, and Hoekema, 2000). Thus, the recognition of legal pluralism in Latin American constitutions includes limitations drafted in different manners. The same authors point out that in some cases, and in accordance with ILO Convention 169, reference is made to fundamental rights as recognized in national and international law. Likewise, they state that other constitutions use a more restrictive formula preventing indigenous jurisdictions from contradicting the constitution or laws.

The problems raised by legal pluralism emerge once again when the paradoxes created by the recognition of political customs and habits are examined. In general, indigenous claims for autonomy and self-determination (as pointed out by Assies, Van der Haar, and Hoekema, 2000) are directed toward the State simultaneously as adversary and interlocutor. According to these authors, the challenge depends largely on the construction of limits and interfaces, because it must be borne in mind that indigenous claims do not seek an isolated autonomy, but autonomous participation in a democratized political system. For this to materialize it can be assumed that there will be some detachment from the nation-state models that currently prevail in many countries of the region. The ideal objective would be to strike a balance between indigenous participation in the State and its institutions, on one hand, and respect for the autonomy of indigenous institutions, on the other.

Overall, the group of reforms which have been undertaken are not merely formal changes, but also represent a deep fissure in the colonial discourse and its legal-institutional foundations. Through this process, the way has been opened for cultural pluralism created by the existence of indigenous peoples; the political boundaries that excluded indigenous groups are modified, and a transformation is begun to the extent that the colonial discourse is constitutionally and legally deprived of the foundations that supported its practice and its language of exclusion. In other words, as the colonial discourse erodes, a drastic shift takes place in the political boundaries of exclusion, as well as in the appearance of previously unknown forms of plural democracy. This set of changes has substantial consequences for the construction of a different notion of citizenship, given that the recognition of ethnic pluralism opens the way to other groups, and defines the development of a State policy that is based not on difference, but on plurality.

Therefore, democracy in the region has been capable—in its own context and under historical-legal limitations—of giving some response, although clearly an insufficient one, to the demands of indigenous peoples. Legal reforms and institutional changes represent important advances toward the guarantee of respect for indigenous peoples' rights, which is a basic requirement for undertaking economic and cultural development processes.

In spite of the importance of the legal and institutional advances outlined above, the systems of domination and exclusion of indigenous peoples are still in place. The

reforms have not eliminated the specific causes of the colonial situation. Still in force today are the sanctions, manipulations and tensions that hinder political development of indigenous peoples and the construction of democracy and citizenship for these groups. These obstructions create an imbalance between the formal existence of rights and their effective implementation.

In some countries, the State is still directly involved in the violation of human rights of indigenous peoples; in other countries, indigenous communities still suffer abuse from different forces because authorities do not investigate crimes, and they fail to administer justice to those responsible for the abuse.

One of the most flagrant cases is that of Guatemala. Even though peace was formally declared in 1996, discrimination continues to exclude Guatemalan indigenous groups from most spheres of national life. This means, for example, that they are not represented in their native languages when they are defendants in criminal procedures, or as witnesses in the processes that aim to put an end to the impunity of those responsible for grave abuses.

In Honduras, indigenous peoples have been the target of repeated attacks by persons or groups presumably linked to local authorities and the military, as well as private citizens. In addition, in recent years the police have harassed those who participate in the increasingly frequent protests and activism of the country's indigenous peoples.

A similar situation is found in Brazil, where the leaders and members of the country's diverse indigenous communities continue to live under the threat of abuse and are still the victims of violence carried out by landowners, with the complicity of local authorities.

Likewise, indigenous peoples in Mexico are the frequent victims of human rights violations by State security forces. A new government presided over by Vicente Fox Quesada from the National Action Party (*Partido de Acción Nacional*) took office in December 2000 and promised to fully respect the rights of the Mexican indigenous populations. However, the post of governor of the state of Oaxaca, for example, is still held by the Institutional Revolutionary Party (*Partido Revolucionario Institucional*, or PRI), and in many areas of the state there are reports that the PRI continues to protect those responsible for human rights violations committed against indigenous groups.

These cases demonstrate that, in spite of advances made, the construction of a plural and democratic society remains a complex challenge. To advance means to fight to break the equivalences of the colonial discourse, by which the indigenous people and their social, cultural and political elements are synonymous with backwardness, menaces and segregation. Demands for territory, autonomy and respect for other types of social organization came to form part of a negative identity that was used to justify exclusion.

The current challenge for the region, in the context of a democratic and plural society, is to find a point of consensus between individual interests, and a notion of community that is capable of integrating these interests. The aim would be, fundamentally, to achieve a policy of recognition with two components: the negotiation of social identities that is based on mutual recognition, and the need to find a unified base that allows everyone to form part of the same project.

Room for Thought: Conclusions and Possible Recommendations

In the foregoing sections an attempt is made to present the need to solve and, at the same time, the difficulty of solving the problem of indigenous inequality in Latin America through processes of democratization. The indigenous question, even in countries where indigenous groups constitute small demographic minorities, is the key for undertaking integrated, democratic transition processes; autonomy constitutes the strategy for articulating indigenous peoples in these processes.

In spite of the advances highlighted in this chapter, the autonomy of indigenous peoples has become the central demand not only of indigenous organizations, but also of a broad range of political parties and organizations throughout the region. However, it is not enough to recognize and create the conditions for the exercise of rights, as has already been done in many countries of the region; it is also necessary to make room for the rights of indigenous peoples within the organization of the State and of society. Consequently, indigenous peoples should have theoretical instruments and practical means for defending their collective rights. Likewise, collective rights should serve to promote the individual and social guarantees of indigenous persons as citizens, not just to preserve ancestral forms of marginalization and discrimination.

There are no magical solutions for the time being, and one can only point to some guidelines that could direct future actions, with the purpose of achieving what has been called “modern citizenship.” On the one hand, this can include diversity and multiculturalism, and on the other, the full enjoyment of the rights of the different social groups that comprise the region’s social fabric as they develop their own identities.

Social integration processes are therefore the central factors in achieving mid- and long-term development objectives, but it must be clear that social integration is not synonymous with social uniformity. The recommendations outlined below are classified under three headings: approaches, principles and strategies; direct actions; and specific areas of action.

1. *Approaches, principles and strategies*

- *Growth with equity, citizenship and identity*

The complexity of a strategy for overcoming inequalities that are based on ethnic determinants presupposes the need to design policies and initiatives beginning from a revaluation of cultural identity. The idea is to transform each country’s cultural aggregate into a factor of progress rather than a disadvantage, as it has been viewed until now. In addition, it is necessary to integrate the perspective of “active citizenship,” which is not restricted to the vote and formal equality before the law.

- *Multiculturalism and multiethnicity: Origins and future*

The future of Latin American societies depends on the achievement of social integration and cohesion, based on the recognition and appreciation of cultural

diversity. This implies recognizing differences without having cultural homogenization as the goal, and without tolerating the domination of one culture by another or the legitimization of historical inequalities and exclusions. Appreciating diversity assumes that traditional forms of social, economic and political relationships among different social groups and actors within nation-states will be overcome, so that modern citizenship, with all its particulars, can be attained. The recognition of multiethnic and multicultural diversity implies that States and governments recognize the rights of indigenous populations and incorporate them into legislation. It also means that States will provide them with the necessary means for the real exercise of such rights, including the space to develop their potential and training in the use of the basic codes of modernity, without their losing their identity in the process.

2. Direct actions

- *Support and ratification of treaties, declarations and agreements; constitutional recognition*

Advancement in the process of recognition of the economic, social, political and cultural rights of indigenous peoples and national ethnic minorities can and must be expressed by the political will to support, sign and ratify the different agreements and commitments reached at the national and international levels. Likewise, it is necessary for States to adopt constitutional amendments that recognize ethnic and racial diversity from a multiethnic and multicultural standpoint. Constitutional recognition of indigenous peoples is necessary for systematically implementing measures that aim, through legal channels, to lessen or eliminate inequality on the grounds of ethnicity.

- *Legal and regulatory framework*

It is important to disseminate general or sectoral laws that can strengthen, protect and promote indigenous and ethnic minorities (sometimes majorities). Some specific examples of legislation that serves as a framework for regulating relationships between the State, civil society and indigenous communities are the Indigenous Law (Ley Indígena) of Chile, the draft Community Law (Proyecto de Ley de Comunidades) in Ecuador and the draft Law on the Autonomous Development of Indigenous Peoples (Proyecto de Ley sobre Desarrollo Autónomo de los Pueblos Indígenas) in Costa Rica. Steps must be taken to transcend mere symbolic recognition and constitutional declarations, beginning from a special legal framework that provides the conditions for the implementation of equitable policies that recognize diversity and ethnicity. In any case, if these laws do not exist, customs and customary legal rights should be taken into consideration at the time of applying national legislation.

- *Administrative arrangements*

Countries where ethnic groups or minorities live should periodically review the administrative arrangements they have in place for the formulation and implementation of the policies that concern such populations, paying special attention to the evolution of these populations' needs and to the relevant groups' points of view. Governments that have not yet done so should consider establishing specialized institutions, mechanisms and administrative procedures, given that entities with clear and well-defined mandates are in a better position to give adequate attention to the complex problems faced today by ethnic groups or minorities. Governments that have divided responsibilities for ethnic and racial matters among several ministries, departments or institutions should consider the feasibility of creating a special body to coordinate these efforts, as has been done in Bolivia, Chile and Mexico.

3. *Specific areas of action*

The central issues that need to be addressed in order to overcome the inequality that is associated with ethnicity are often found in specific fields of intervention such as education, health, land, territory, and economic, social and cultural rights. Actions in these areas are outlined below.

- *Equitable access to education*

Historically, the educational systems of the region have failed to adjust to the real needs of the indigenous population. In the area of education, it is necessary to incorporate a set of strategies to allow indigenous populations and minorities to access the basic cultural codes of modernity, without losing their languages and culture. This can be achieved through a revaluation of their own cultural identity.

- *Health*

It has been demonstrated that there are significant differences in the epidemiological profiles of those who are poor and who are not, of urban and rural populations, and of the members of different ethnic groups. In addition, there are barriers to accessing adequate health care. Work is needed on policies for basic sanitation and nutrition, and improvements in these aspects require the participation of individuals and communities. Given the present situation of indigenous peoples in regard to health, and considering the specific sociocultural setting of each individual group, it will be necessary to adopt special measures to make health and other social services more available to the indigenous populations, and to make these services more responsive to their needs. The ongoing decentralization and modernization processes should specifically consider the incorporation and access of indigenous groups to public health services. In addition, the validity of traditional medicine

and pharmacology should be recognized. States should secure, through specific policies and legislation, the promotion and preservation of communities' natural pharmacological heritage, respect for biodiversity within those communities, and preservation of their ancestral knowledge and wisdom in the field of health care.

- *Land and territory*

To achieve adequate and sustainable development of indigenous populations, States must secure these groups' territorial rights and the possession of lands that they have ancestrally used, whether through general and specific legal provisions, or by way of recognizing their customary rights, historical use and occupations.

Within a context of autonomy and self-determination, steps should be taken to establish measures and programs of action for indigenous populations to administer their own territories and natural resources. The management and preservation of natural resources and biodiversity in indigenous territories is a central issue to be addressed by the countries of the region. The growing demand for new land for cultivation, for water, and for oil and timber exploitation combine to threaten the survival of the indigenous peoples that inhabit their ancestral lands.

States must establish regulatory frameworks and undertake participative processes together with indigenous communities in order to carry out plans for the joint management of their lands, natural resources and biodiversity. At the same time measures need to be adopted that will protect indigenous populations from the negative impacts of large development projects. It is necessary to establish precise regulatory frameworks that ensure the informed participation of indigenous communities in the projects that affect them directly.

Conclusions and Final Comments

The set of actions and recommendations outlined above can be carried out only with the commitment of all the countries involved, which must establish the necessary mechanisms and the institutional frameworks for the achievement of proposed development objectives. Likewise, States and governments must devote themselves to promoting participation of civil society, communities and organizations of the relevant groups, in order to establish priorities and generate mechanisms for consultation, negotiation, conflict resolution and the elaboration of short-, medium- and long-term policies and programs. Finally, while priorities for action have been outlined in this chapter, States should establish integrated development strategies for indigenous peoples.

This chapter has attempted to show that overcoming the inequalities based on ethnic and identity differences is central to achieving true social integration and cohesion. The existence of exclusion mechanisms requires us to closely examine a set of social and cultural factors that were, until very recently, absent from analysis of the region. To understand the inequalities that affect indigenous peoples in Latin America, it is necessary to address identity, multiculturalism and diversity, and to consider their

historical and cultural origins in order to find solutions in an uncertain future marked by the paradigm of globalization.

The emergence of identities and the persistence of inequalities based on ethnicity are perhaps the clearest indicators of the future challenges facing democracy and citizenship in the region. This is the case not only because identities are the basic principle of social organization, but also because it is through the demands for identity, and the visibility of these identities, that the social and economic inequalities of millions of people in the region become evident (Castells, 1999).

Identity is, therefore, a mark placed by the so-called emerging actors in order to counter the opposing forces of assimilation and discrimination. It is not only a way to consolidate or rearticulate social bonds, but a cultural and especially political form of reaffirming difference and the right to live differently. The future of the region depends on the recognition of identities and on the resolution of discrimination, which has been the foundation on which States and their social relations were formed. In recent years, an increasing level of inequality has signaled the urgent need to overcome the historical ties that threaten the future of the region.

A number of short conclusions can be drawn from this analysis. In the first place, discrimination and exclusion because of ethnicity have their origins in a set of historical, social, economic and cultural factors that are interrelated and interdependent. Among those that currently have the most influence is the exclusive and ineffective way that modern nation-states have been constructed. This could only be justified while the State and the nation attempted to find common forms of legitimacy, where homogeneity and national unity were a virtue and a necessity in order to achieve governability. Globalization, the universalization of human rights and the emergence of identities have called into question the logic of self-sustained and self-legitimized nation-states. They have also thrown into crisis the fundamentals that defined citizenship and the principles of national identity. In this context, the powerful force of the emerging indigenous actors, their capacity to mobilize and to strategize, and their perilous reality are evident. Similarly, reality shows us a State that can no longer seek formulas solely in antipoverty strategies, but that must respond with a substantial reform of its historical relations with indigenous peoples.

In the second place, it is not impossible to think of structural changes in terms of intercultural relations. Until just a few years ago, in some countries with high indigenous populations, it was still believed that these groups were part of the historical past; it was believed that the advance of urbanization would materialize the old dream of assimilation and integration. Now, some of these same countries have legally recognized (not without difficulty or resistance) indigenous peoples. However, there is still a lot to be done, and it is necessary to think of integrated mechanisms in the field of education or in the management and use of indigenous groups' cultural and environmental heritage, among other areas. It is necessary, then, to seek new approaches that can revalue the identities and cultures of the peoples who have thus far been marginalized.

Overall, everything seems to indicate that the current framework of social, political, economic and cultural relations in Latin America needs to be modified to gain access

to modernity. Cultural plurality and diversity are the keys for the region to enter into the globalized world and to establish a new order inside the region's States. The necessary instruments and institutional arrangements already exist in many cases, and several countries have already started on the course toward recognition of the rights of indigenous peoples. They are doing so in a progressive manner, allowing greater participation by indigenous organizations and civil society. However, there is still a long road ahead, and many obstacles need to be overcome.

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EPILOGUE

Political Reform against Inequality

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Inequality is not only the main threat against democracy, but also a trap for development and a constraint on the democratic process in Latin America. That is why the alarm signaled by the 2004 UNDP report about the state of democracy in the Latin American region did not cause surprise. According to this report, 54 percent of Latin Americans would prefer authoritarian regimes if they were able to solve the region's economic problems. It is no coincidence that those surveyed consider social problems—poverty and unemployment—to be the most important ones, because the countries of this region have levels of inequality above the world average.

Besides what this implies in terms of the erosion of democratic political institutions, we might ask the following: Why must democracies of the region carry the blame for this dramatic state of inequality? Does democracy lack the ability, the knowledge, or the will to halt the progression of inequality through its institutions, its processes, its political parties, and its leaders? Or, finally, is this a task not for democracy, but for politics?

The different authors of this book have tried to answer these questions. They lead us to analyze interactions among the economic, political and social processes in the Latin American region in order to demonstrate their asymmetries along with their divergent courses, as well as the consequences of inequity, inequality and poverty. The answers to these questions take us immediately to how, in daily practice, the social and economic rights of Latin American citizens are guaranteed in the new landscape of globalization.

The region has had to take on a great paradox that must be solved: the current historical coincidence between the beginning of democratization processes in Latin America and the worsening of poverty during this first “wave” of democratization. Of course to proclaim that there is complicity between democracy and poverty would be an overstatement of the consolidation of a political system that is just starting to take

root in Latin American societies. As pointed out in the UNDP report (2004), this democracy is characterized by a “low-intensity” citizenship.

What cannot be denied is that inequity, inequality and poverty are the main obstacles to democratic consolidation. And unless Latin American democratic leaders have a death wish, inequity and poverty must be fought efficiently, forcefully and urgently, given that the levels of social and political instability they generate are incompatible with democracy. Furthermore, they hamper performance and cast doubt on the viability of democracy as a political system. But it is only fair to view this from the other side, because the democratic system that has made inroads in the region in the last two decades must become a necessary condition—although not a sufficient one—for fighting effectively for social equity.

As opinion polls in the region have corroborated, it is not a coincidence that it is in the areas of greatest inequality that we find the greatest disposition toward authoritarianism. It is not by chance that exclusive, elitist and closed power structures are the most inclined to corruption and weak rule of law. It is self-evident that the lack of transparency and the concentration of power nourish scenarios in which State policies are appropriated by private interests that are completely alien to the common good. Because, far from what was commonly held until a few years ago, exclusion from the social-political function of societies is the cause and consequence of a lack of voice in the decision-making process and signifies a clear deficit of civil representation.

Risks and Opportunities of Political Globalization

The democratization wave in Latin America unfortunately coincided with economic reforms directed at market liberalization, a result of globalization. This means that democracy foots the bill for the modest results of the economic model in matters of development and the fight against poverty. In part this is also because the consolidation of democracy has evolved from a minimalist and procedural conception—that is, free and regular elections—to another conception that, without being maximalist, can guarantee economic and social results. What has been overlooked is that to isolate politics from the economy and from society has been a high-risk exercise for democratic stability because of the social cost incurred.

From another point of view, globalization calls for public institutions that can be the starting point for economic and social results that make it inclusive. Pressures about the efficacy of political-democratic institutions are only going to increase, coming from above for global demands, and from below for local demands, because economic globalization—with the imbalances and inequities it generates—cannot prevail over the political institutions.

In the political realm, globalization has imposed new demands on the State that originate inside their borders as well as outside of them (Gaviria, 2004). The role of both political globalization and the external agents has not been adequately assessed in the combination of political and economic variables. In the European case, for example, measuring the consequences of supranational integration for the democratization of

some countries does not involve consideration only of the successful cases of Greece, Spain and Portugal in the European Union, but also of the challenges now faced by 10 new States with different levels of political, economic and social development that entered the European Union in 2004. In Latin America, the Inter-American Democratic Charter approved in Lima on September 11, 2001, is a clear expression of opportunities created by the political implications of globalization. An instrument of this type that defends and protects democracy will be increasingly valuable in the face of recurring crises of democratic governability.

There is no doubt that this entails new commitments from the States in confronting the objectives of development in an integral sense. It is the responsibility of countries that participate in international summits to meet the goals set out by these forums and to contribute to setting priorities. To create and launch a culture of responsibility that can meet those commitments, and to make the necessary adjustments to public policies, is an immediate consequence of political globalization.

If to govern in a globalized world is to create a balance among the real forces of power, the governability of societies and “good government” have to deal with poverty and inequality, as the poorest people are the least integrated in global markets. So, even though exclusion in Latin America has not been a necessary consequence of globalization, it may have the potential of exacerbating it if there is an increase in the contingent of “losers” in the way the globalization equation works.

Democracy and Development

At the intersection of democracy and development, three factors must be emphasized at the outset that portray the limits of this meeting in the last two decades of Latin America’s history. In the first place, development has been conceived as a “sexless” objective from the political point of view. Second, from an economic point of view, the supposed democratizing wave has come at an unfavorable time (Cardoso, 2004). Third, it coincides with the singular idea that there must be a pattern or single model of development that can be applied to all countries. Not only is this idea ahistoric, but it is harmful and unfavorable to democracy and to the concept and practice of human development.

The effect of the aforementioned has been that social policy has not been a priority in recent decades; in the 1980s, the recovery of macroeconomic control became the sole, and the most urgent, objective of economic policy. The conflict was generally between economic policy and social policy and, for that reason, the latter was relegated to a marginal role. As a result, social objectives were not positioned at the center of economic policy (Ocampo, 2004). Social development, which should have had as its base long-term social policy that would increase equity and guarantee inclusion, was subject to the fluctuations of economic policy. These policies were, in turn, protected by “politics as usual,” a legacy of traditional, Caesarean authoritarianism.

Notwithstanding the aforementioned, and paradoxically in the most recent phase—since the failure of the theory of “dismantling” the State—the tendency clearly has been to force the State to assume objectives, but at the same time to give it few

resources to meet them. This results in fiscal imbalances as well as the perpetual failure to carry out government programs, with harmful consequences for democracy and development. Moreover, in democracy, more promises are made and more promises are broken, which contributes to undermining the legitimacy of governments. Dictators, however, have no need of such promises.

Finally, it has been technocracy that has systematically led the reform process. For example, State reforms in the 1990s followed that logic, without taking into account the burden of political realities or the scientific nuance of economic analysis that no doubt was permeated with ideology. It proclaimed the benefits of the institutionalist theory, but starting from the managerial, bureaucratic and economic reform of the State, characterized by the definition of public policy agendas at the margin of democratic deliberation (Cardoso, 2004). The political variable was blatantly disregarded to omit the always-irregular map of power relations in Latin America and their impact as regards clientelism, corporatism, appropriation of public policies and exclusion.

At the same time, democratically elected governments have discovered in the last decade that their real power is increasingly limited by the challenges of democratic governability. And as strange as it may seem, some have injudiciously tried to attribute these limitations to the processes of democratic consolidation. Nostalgia for omnipotent executive powers, characteristic of authoritarianism, is, fortunately, a page that has been turned, thanks to the independence of other branches of power, autonomous agencies, civil society that occupies new spaces, etc.

Tension between political democratization and economic restructuring is also due to the fact that democratization not only decentralizes power but also makes it more susceptible to the demands of society and to political institutions, which are comparatively weaker in terms of the combination and mediation of conflicting interests. In democracy, the discretion that authorities have in economic matters has diminished, and there has been an expansion of democratic control. In social matters, there have been attempts to reduce the intermediary role of clientelism in distribution of resources, to provide more accountability and, consequently, fewer possibilities for the so-called providential decisionism of a president with unlimited power.

In terms of economic and social results, there are neither miracles nor simple formulas in the short term. The ruling economic model assumed that democracy's consolidation and political modernization were secondary problems when compared to the needs of economic stabilization, but it is no longer supposed that democracy is going to adjust by itself and that everything should suddenly be expected of democracy. Democracy is indeed a starting point, but it does not solve all the problems because, in the end, it is not a programmed proposal and it has a particular way of doing politics. So, today, everyone asks: How much poverty can democracy withstand in developing countries because of "bad politics"? However, the current problem is the belief that we should forget the little that has been gained in order to unwittingly return to populism, a formula that has failed more than any other has.

The fundamental issue, as Laurence Whitehead has suggested in this book, is how to reconcile democracy and the formulas of economic liberalization in Latin America. The question is how to make these two experiences compatible. Going a little further, it

could be asserted that the explanation for the region's social deficit—with the reversals that this has implied in terms of inequality, poverty and exclusion—lies precisely in those tensions. To start with, it could be corroborated that the absence of adequate interchange between political analysis and economic analysis (Cardoso, 2004) has made social policy, and, therefore, social development its first victim. Attempts should be made to tear down the existing barriers between democratic logic and the technical rationality of the economy.

But it is even more serious to add the “logic” of informality to the distinctive way of doing politics in Latin America. For that purpose, as discussed later, the burden of informal institutions in such “interchanges of logic” must be included in the analysis. Then there will be political rationality in the region—with all its irrational elements—against economic rationality, with social policy in the middle.

Growth or Development?

Traditional analytic trends were responsible for establishing the assimilation between economic growth and economic development. Today, democracy and development mean something different from the concepts established at the beginning of the wave of democratization, and it is the only way to incorporate an integral notion of development that goes beyond the quantitative, especially if economic growth can reduce poverty but not inequality. Currently, the notions of progress, welfare and quality of life enrich international statements, constitutions and academic reflection, but in practice there are still difficulties in defining exactly how to reach them.

For a long time, democracy and development have had a negative partnership. There are still voices (increasingly unheard) that lay claim to the monopoly on development that is in the hands of authoritarianism. There have been attempts to justify democratic and nondemocratic practices within the theory of development because not very long ago, debates about development were isolated from political democracy. Development was considered a technical problem; it was judged an apolitical object to the extent that even in international development organizations it was not politically correct to discuss politics in the context of development programs. Today, on the contrary, as Commissioner Christopher Patten states in the foreword to this book, democratic governability, social cohesion and integration form a “virtuous triangle” that leads toward stability and development.

The fragility of empirical studies that establish relations between democracy and development has given rise to multiple theories that, fortunately, have reached the synthesis developed by Rodrik, who points out that the political regime is not indifferent to economy. Democratic systems have at least four advantages over authoritarian regimes: there is less variability of growth in the long term; macroeconomic stability in the short and medium term is greater; external crises are better controlled; and the level of salaries (and their share in national input) is higher (Rodrik, Subramanian, and Trebbi, 1999). In addition democracy is more flexible when dealing with the daily aspects of democratic governability.

One of the first conclusions, according to what is outlined above, is that the economy must be subject to politics, particularly to political democratic processes, because this is the way that society resolves its controversies (Ocampo, 2004) and can therefore define priority objectives in social matters. The past misunderstandings between democracy and development have resulted from this absence. A single statement serves to simplify this scenario: the market economy system or what some call “economic modernization” has tried to survive thanks to democracy, but in spite of politics. And conversely, democracy has tried to survive in spite of the scant results offered by economic modernization, and very much in spite of bad politics.

The Institutional Informality of Inequality

The variety of opinions of leaders in Latin America highlight the current separation between institutional powers and the so-called factious (or dissenting) powers. Many pages in this publication show that effective democratic governability that launches any sort of reformist strategy cannot ignore the scope of a political dynamic with specific institutional and extra-institutional expressions.

The presidential model inserted in the constitutional system strongly penetrates all these factors of power and clearly conditions the management of social and economic policy. The openly personalized political leadership of the chief of the executive branch, to the detriment of the legislative and judicial bodies, contributes to the imbalance among powers and to the absence of controls. From the beginning, dialogue with those outside of the system has been limited (Carrillo, 2001), not to mention the excesses of the real power of the interest groups that have taken charge of “lobbying” democracy as if the political space were privatized. An added element is that informal institutions are sometimes as deeply rooted in society as formal institutions, with the rigidity that this implies. That is why any diagnosis of the institutional reality of a country must answer to a specific and particular analysis of each country’s history, because each country’s vulnerabilities are different when confronting these “factious” powers.

Inequality that has been institutionalized primarily at the informal level in Latin America (Prats, 2004) metastasizes through the entire social fabric and obstructs and complicates the advances of democracy, the efficiency of markets, the effectiveness of States, the establishment of a culture of legality and social cohesion. And we refer not only to inequality of income and wealth, but of capacities and opportunities.

The difficult restructuring of the rule of law has followed and not preceded the installation of the region’s democracies, as pointed out by O’Donnell, and has had the unrewarding company of the authoritarian impulses that have had a significant presence throughout history. Even then, centralized State control was considered a problem for stability and economic development. After having overrated the State’s capacity to redistribute, reduce disparities and neutralize market forces, it was never assumed that losses of the public enterprise were the result of anomalies in the exercise of politics such as “clientelism,” cronyism and corruption. If it was overlooked

that the State must strengthen its institutional and political capacity if it is to meet its basic responsibilities, this only could have been corrected by improving the quality of its political institutions and of the debate about public policies.

The factious powers that generate informal institutions have grown immeasurably, as political leaders point out in the UNDP report (2004). Economic groups, the media, clientelism and discrimination are examples of informal institutions in Latin America that can become incompatible with both the democratic rule of law and the market economy. This informality has tried to control political power, to stimulate corporatism and to appropriate incomes, and in so doing has undermined confidence in institutions.

Guarantee of Rights for Citizens

The focus on development that is based on the rights of the people is converting the rights of citizens into an integral part of the processes and politics of development. This has to do with initiating the protection and guarantee of the fundamental rights of citizens. So, in the context of these rights, there is increasing recognition of the importance of considering the objectives and politics of development. Currently, civil and political rights, on one side, and economic and social rights, on the other, are considered to be two faces of the same coin, rather than competitive or incompatible visions for developing countries.

Therefore, the great debate on rights is not only about sequence. The real issue is the genuine and procedural guarantee of those rights. At stake is their political as well as judicial accountability. Europe, for example, has already taken this last step because it knows that to do away with inequality in matters of civil rights, combined with inequality in social situations, is a gigantic task that can be realized only through social policy.

The evolution of a “State of rights” leads to a post-welfare state responsible for the observance or fulfillment of fundamental rights. The citizen cannot remain in retreat, because one does not have to linger over the democratic indicators frequently mentioned to realize that the wave of democratization in the region is in decline. It is enough to take note of the “state of unrest” of the region (Foxley, 2004) with the economic model that is unjustly attributed to democratization.

Even more important, we should highlight how tenuous the dividing line is between juridical and economic implications regarding the guarantee of these rights. For that reason, the debate about the guarantee and protection of these rights goes beyond the judicial sphere to penetrate the fields of economic policy and especially of fiscal policy.

Lack of attention to the economic dimension of citizens’ rights has proved to be a major weakness, because it was foolishly believed that this negligence would not affect the accountability of those in power. In the internal realm and at the level of guarantees, legislative measures are needed, as well as budgetary and legal resources. Also at the constitutional level, there are juridical developments already in favor of the pos-

sibility of legal rights at the domestic level; this has heightened the level of criticism by several constitutional courts in Latin America that dared to become involved in the matter. All of this demands an examination of the issue, generally ignored, of the cost of citizens' rights and the associated implications of guaranteed rights (Holmes and Sunstein, 2000). This clearly pertains to the point of convergence between economic and social policy.

Quantification of Economic and Social Rights

Although difficult to quantify, civil and political rights and democratic freedoms occupy a prominent place in the development perspective. They are significant for strengthening the capacity of the poor and form part of the State's obligations. And, as already noted, they have an economic cost, even though the definition of public policy—economic and fiscal—is completely governed by political considerations. This last item raises serious questions about the responsibility of public authorities; their willingness to be accountable; the transparency, effectiveness and efficiency in objectives of public spending; what type of rights should be mainly protected; and so on.

It is necessary to resolve the dilemmas of democracy by retreating from any temptation to return to authoritarianism. The guarantee of fundamental rights goes beyond electoral democracies, because they can tolerate governments that accept human rights violations. This type of setting should at least include the protection of the rights of minorities, expansion of the rights of participation and free expression, the effective application of the separation of powers and the inclusion of basic rights in economic policy. It is undeniable that connections exist between civil and political rights and social and economic rights, to the point that the absence of civil rights can contribute to impeding economic and social rights, as has occurred in the region of Latin America. At the same time, disregarding economic and social rights may diminish civil and political liberties.

The problem of time frames, the sequence of the guarantee of rights and short-term sacrifices for long-term benefits are not normally explained to citizens or understood by them. These issues are really about defining priorities, which can only be done within the political process. And although democracy always extends the time frame for actors within the political process, it must also attend to emergencies that imply a change of priorities. There are public policies, such as policies against crime, that do not accept midterm solutions. In such cases certain rights will be sacrificed, and there will be trade-offs among them, with an enormous cost to democracy and development.

Consequently, when formulating economic policies that are oriented toward the guarantee of rights, there must be consensus about priorities that will satisfy some rights to the detriment of others. The main priority must be fundamental rights of citizens and the associated juridical assurances, regardless of resource limitations. In sum, economic decisions must reflect the right of citizens to reach certain levels of development, respecting the economic dimensions of fundamental rights.

Liberal democracy is based on a state of law whose essential goals are the guarantee of political and legal equality and legal oversight of public actions. Equality must be redefined and reaffirmed as in the observance of fundamental rights; the quality of democracy will be determined by observing these principles. This leads to the concept of evaluating the quality of democracy's performance, so that its effectiveness can continually be confirmed.

Erosion of rights and civil freedoms, as a sample of the fragility of state of law, combined with intermittent political institutions of control, affects the quality, legitimacy and consolidation of democracy. And speaking of development, the centrality of economic and social rights positions them as the ethical framework for development policies in which liberty and equality coincide.

Here, it should also be considered whether any alternative to the welfare state has taken into account the indivisible character of economic and social rights and the real possibilities of making them effective and actionable, following in the same direction as civil and political rights. Efforts to re-establish a welfare state starting from political reform have been the missing element in recent years in the region. And such efforts were not made because private interests appropriated the public apparatus and cut short the scope of redistribution reform (De Ferranti et al., 2003).

Equity as an Ethical Imperative and Public Policy Objective

Democratic governance must lead to a decrease in inequalities and exclusion, better effectiveness and efficacy linked to social cohesion, and solidarity. Consequently, it is not possible to face the challenges of today's world without the State, and the public sector is essential for confronting the challenge of globalization. Latin America may not be able to introduce new citizens if it does not include citizenship among the parameters of equity. A democracy without citizens in Latin America is a contradiction in terms, because democracy cannot continue being a disappointment for the poor.

Two things should be pointed out: (a) bad politics and bad policies increase inequality and (b) the market is not going to automatically generate opportunities. It is the State's role to guarantee equality of opportunities, in order to break the vicious cycle of democratic failure and inequality, and to avoid democracy "fatigue" and the tendency to mistrust political institutions, and to ignore the existence of people's rights. The obligations of political institutions regarding fundamental rights are to generate policies that favor excluded populations, and to apply policymaking processes that guarantee, among other things, the right of the poor to participate. It is not a simple task that can be hidden behind public policies that further marginalize the poor.

Recent reforms have achieved very little in terms of reducing inequality. Whether or not there is a threshold of inequality that is acceptable or tolerable, democracy can be consolidated only by redistributing wealth and income inside a political-democratic system that allows those who are excluded to pursue social goals, and by opening

channels to process social demands. The sustainability of the democracies in transition is going to depend on their capacity to redistribute the fruits of growth.

Consolidation of democracy must recover its momentum, with equity as the central objective of institutional reform. It must be strengthened and improved from within through its institutionalization. If not, the trap of empty democracies will persist. Making stronger representative structures—congresses, political parties and electoral authorities—will improve the performance of democracy.

The quality of institutions depends on the quality of their political system, which is fundamental for the economy's performance. Consequently, the objectives of reducing inequality are to reinforce political legitimacy and to ensure the sustainability of economic reform. But there will be no democratic consolidation without strengthening the democratic culture that serves as a refuge for a multiplicity of identities, which, in current political institutions, do not find ways to interact.

Institutional Reform for Citizenship

The promotion, simultaneously, of social, civil and political citizenship, and improved transparency and accountability, are not, as some believe, obstacles to economic performance. Democracy cannot be viewed as a threat to the advance of reform because it slows down the decision-making process and exposes it to veto power. It therefore puts aside the "decisionism" of the executive branch, which concentrates power, and emphasizes instead political processes and styles that favor democratic deliberation about agendas of reform.

There is much institution-building work associated with democratization. It is the longest and most difficult (but a more sustainable) path toward a new "political logic" that may articulate the two conflicting logics to which Cardoso (2004) has referred. The efficacy of interventions by the State depends on its institutional capacity to reduce inequalities caused by market forces, and the benefits society derives from greater equality and social cohesion. Income distribution has positive impacts on economic growth, since societies characterized by strong social cohesion and political stability are more attractive to investors (Ocampo, 2004).

It is obvious that in terms of opportunities for international investment, the average country risk in Latin America is greater because of the weakness of its political institutions. Minority governments, lack of transparency, lack of an independent judiciary and arbitrary changes in the rules of the game are some of the factors that drive away international investment.

At the subnational level, decentralization of power to local settings is necessary to encourage citizen participation, to deepen democracy and to stimulate social and economic development in municipalities; in some countries of the region decentralization is confused with citizen participation processes. There have been valid processes of institution-building promoted by local authorities. Genuine "empowerment" processes have, in fact, started at the local level. The emergence of these new strategic actors—political and social—in these settings has facilitated the incorporation of traditionally

excluded political and social sectors. In the modern ethic, local experiences are going to precede global solutions. And the same could be said about social reform and efficacy in the fight against poverty.

The purpose of social inclusion in Latin America, viewed in contrast to globalization, is the construction of a citizenship that is alien to many because of the denial of fundamental rights. Because an authentic democratic political culture enables the citizen to participate in the definition of the community's future within traditions, values and institutions—formal and informal—that are oriented toward legitimacy and participation. The formula linking political representation to social participation opens spaces for deliberative democracy that strengthen civil society. Democratic participation does not substitute for the institutions of representative democracy; rather it complements them and opens the way to social inclusion.

Accountability and the Fight against Inequality

Where government rulers have greater political responsibility for citizens, the quality of democracy will be better (Schmitter, 2003). Mechanisms for accountability are just beginning to be implemented, and in many countries they have become the target of a premeditated strategy by traditional power agents to first discredit and then discard these processes.

Public institutions must make major efforts to ensure that poverty-fighting policies are not appropriated. Initiatives in this area will not be successful unless they are accompanied by transparent, accountable governments that have the promotion of equity and inclusion as their main priority. It is also time to evaluate, for example, the efforts at reform in the region in terms of institutions that regulate political representation, as well as the political electoral system and political parties, and those responsible for horizontal control and accountability of political power (Payne et al., 2002). While this is the direction that Latin America is taking today, there is not enough convincing evidence of the judicial and political equality that these institutional reforms have attempted to promote.

Moreover, the quality of the debate on public policies, which has barely begun, must be improved, because in the past, its absence opened the way for important and often dangerous ideas. Here, the role of the media as a factor in enriching that debate is crucial. This goes along with improving the quality of the institutions, and has major importance in increasing the controls that permit democratization of the exercise of government, and providing the space for democratic deliberation.

Opportunities for Deliberative Democracy

Public policies are the product of political institutions and, therefore, public policies change through the political institutions. The process of debate and delib-

eration about public policies within a democratic system must answer to a basic principle: those whose interests will be affected must be included in the creation of these policies.

This principle, which seems so basic, has been ignored until recently in the interactions between the State and civil society in Latin America. Inclusive political practices have been the exception and not the rule of behavior among the ruling classes in the region, not to mention the obstacles faced in achieving political and judicial equality, an irreplaceable component of any strategy of inclusion. Because inequity implies the marginalization of decision-making processes, the institutions, norms and values through which individuals interact are relevant.

Political institutions—formal and informal—must leave behind any appearance of exclusivity if they are to survive and secure democratic legitimacy. The poor performance of democratic institutions is problematic, not only for the intrinsic value of democracy, discussed by Amartya Sen, which expands the range of possibilities and options for citizens. It is also problematic for its instrumental value, which allows the conceptualization and understanding of citizens' needs, and the construction of policies and institutions devoted to satisfying these needs (Sen, 1999).

Challenges of the Social Question

Social policy cannot continue in the deplorable condition of being just an appendage of economic policy. And even though it is now obvious that social policy is inherent to democracy, not only is the struggle against inequality in terms of social policies, but it also affects the balance of power and rules of the game. This was one of the biggest limitations of the so-called Washington Consensus: it did not take into account the structures of political and social power in Latin America. This is absolutely essential if social programs are to begin to work.

Macroeconomic stability and growth recovery cannot be the starting point of the new development strategy, but rather the starting point for the solution to problems that have mounted up in the social reform agenda. Increasing importance has been given to investment in human capital as a requirement for creating equitable conditions that sustain an environment of social and political stability. But because of the constraints brought on by crisis, the State often was reduced without being changed; this was evident mainly in the provision of social services, where it continued to use the same ineffective tools. Reforms in the provision of social services, for example, require better use of the resources assigned to social spending through the use of public institutions, the private sector and the involvement of civil society.

In the social field, to give a concrete example, the State and labor unions face the dilemma of redesigning the State welfare institutions and the mechanisms for participation and social dialogue. The objective is to include the outsiders, who represent the majority, and not only the insiders, who are the workers and employees of the formal sector. Also, in terms of influencing the balance of power, there is a great task ahead relating to fiscal policy. In Latin America, institutions were designed for a European-

style welfare state but with a tax base for GNP which is more similar to the one in the United States (Foxley, 2004).

This brings us to some key questions for the governments of the region (who are aware that the social issue has the potential of costing them their legitimacy): How are they going to face globalization challenges as the market economy broadens? How will they build a State that can fight inequality without giving in to populism and demagoguery? And most important: How will progressive forces in Latin America coordinate to develop a strategy that is effective for reducing poverty?

The economic system, then, must be subordinate to broad social objectives. For that purpose, human rights form the ethical framework for economic and social policies as well as for political order. And this is not only a matter of including social issues in the adjustment programs by setting up social safety nets designed for sectors affected by the macroeconomic crises or by the structural adjustment programs. Rather, social implications should be included in the very design of microeconomic policy and structural reforms (ECLAC, 2000).

Finally, social development is the point of intersection between democratization and economic development; this is the only response to the concerns expressed in recent opinion polls by the Latin American people.

Politics and Social Development

At this point, we should reflect on some of the conclusions drawn in this book. First, the fight against inequality is, above all else, a political challenge. For this reason it should be politics and not democracy that bears the responsibility for social development. In the second place, dissatisfaction with democracy and economic reforms coincide because the political model endorsed economic reforms that aimed to broaden the sphere of the market, whether as part of its own agenda or because the reforms were imposed. Third, a new conceptual framework is required that does not separate politics from the economy, and that sets targets for democratic development. That should be the beginning of an institutional reform process to rebuild both the current model of governability and the institutional model, reflecting the social-political balance at a given time. Fourth, development strategies should be politically legitimized in each country by social forces, because from the point of view of the actors, the fate of freedom and equality is increasingly dependent on the social movements that speak on behalf of the majority (Touraine, 1998).

Strictly from the political angle, we should highlight several things. First, the results in economic and social matters are very modest; but as has been said, politics is training for disappointment, and whoever has not learned to manage failure or partial success has no capacity for politics. Second, even though democracy should inhibit the exclusion that the market generates—for the multiple reasons already outlined here—politics has never been so powerless as it is today; it suffers from ritualized stagnation which is manifest in the way it has retreated from economic challenges. And so the immediate question sends us to examine its performance in confronting

social challenges in Latin America. Third, it bears repeating that the quality of public institutions depends on the quality of politics and the quality of democracy. It has been difficult to finally reach this assertion, which, paradoxically, has never been the starting point for reflections about development.

Still there is a great task ahead of us: to break with the parasitism of caudillism, clientelism, corporatism and crony capitalism that has kept politics in limbo for several decades (Prats, 2003). For as Sonia Fleury points out in her chapter, in the last instance this implies going from the abnormalities of clientelism to the fulfillment of citizenship.

Politics emerges as an alternative to the possibility of being weakened by the technicalities of globalization, in order to get what Dahrendorf has identified as the counterweight to financial power, the engine of economic globalization, that puts at risk the balance between “economic opportunities, civil society and political liberty” (Ramoneda, 1999). Freedom must be defended as democracy’s base not only because it contributes to economic growth, but because it is the first condition of human dignity and human development. Therefore, the theory that civil rights and political rights are obstacles to economic growth can be discarded.

The sin of the last decade was to relegate democracy’s achievements to the strictly political, without synchronization with the economic agenda. The social aspect was outside of the agenda for democracy. This formula implied that the economy could proceed independently from politics and that social issues could wait. Today, politics has come back through the front door.

Finally, political reform cannot be viewed as conditional or marginal, since it has so much energy on its own that, on the contrary, the institutional environment will itself be a product of the political process. This is particularly relevant if, as in the case of Latin America, theories about development do not assert that the urgency of political reform is essential. To politicize is to place things in the realm of public discussion and deliberation, wrenching them away from the technicians, prophets and fanatics (Innerarity, 2002).

The return of politics implies, from the outset, acceptance of its limitations. Politics serves nothing more and nothing less than to find conciliation between naturally conflicting interests. It is the best way to solve conflicts of interest that arise from the plurality of values and interests that characterize societies. Politics must design formulas to handle conflict, and it will fail if interests are excluded or marginalized, since it relies on all strategic actors. The informal institutions of Latin America still indulge in old politics in scenarios that are determined by new historical tasks and that are, therefore, a challenge for politics. The problem in the region today is a lack of awareness of the new responsibilities that accompany political and social changes and that allow the practice of politics.

Conclusions

- Today, the relationship between democracy and inequality comes very close to being political exclusion. It is, in fact, almost self-propelled. If in recent decades, democ-

racy and inequality came hand-in-hand, the main task facing the political system now is to prevent them from continuing together indefinitely. In future scenarios they cannot exist simultaneously: it will be either one or the other (Strasser, 1999). On the other hand, the link between democracy and development as presented in Article 11 of the Inter-American Democratic Charter is one of interdependence and mutual support, but it must be one of conditionality and complementarity besides.

- Every day, there should be fewer differences between the objectives of political democracy and the purposes of economic democracy. As has been stated, political practice will be given social legitimacy only when democracy provides results in the economic and, above all, in the social realms.
- If the definition of poverty goes beyond economic considerations to include issues of vulnerability, lack of voice, absence of rights and impotence, then the “supra-economics” that shape poverty should be the point of reference for examining growth as well as development. Consequently, the etiology of inequality in the region refers not only to the already classic analysis of property structures, but beyond this, to power structures that have perpetuated the vicious cycle of a democracy with social failures and exclusion that permanently damage its quality.
- Latin America has had strong presidents, but weak States and squalid institutions. As an IDB report (2003) points out, in the region there is a State deficit as well as a market deficit. The great paradox of governability is that rulers now can do less and less compared to what they were accustomed to doing in the first phases of democratization.
- The welfare state was clientelized and appropriated in Latin America and, for that reason, shows minimal results. Looking to the future, social and democratic “audits” should be initiated in order to measure the accomplishment of social goals in each country as legitimate planning mechanisms of national development strategies. One such initiative to meet this objective is the National Governance Profiles proposed by the Euro-Latin American Governance Network for Development with the support of the IDB.
- Latin America’s themes of political integration should aim for—as has occurred in Europe—broader horizons of development. The model for European integration goes beyond commercial liberalization and seeks a convergence of institutions and political rules. Again, the challenge will be to build up supranational institutionalization that can learn from the democratic deficit that the European Union is experiencing.
- It is a given that the process of social and political change should be accompanied by strong institutions. It is also evident that sustainable economic and social results should be accompanied by what Sartori suggests are the procedural elements democracy, that is, *pluralism*, *deliberation* and *debate*. These ruling elements combine with a serious strategy of inclusion, no doubt, in the search for equality.
- In regard to political institutions, political parties are essential, not only for the representation function that affects the quality of democracy, but also for the way they open or close spaces for governability. This is particularly true in the parliamentary arena, in which political parties are indispensable because of their roles

in providing stability for the political system, generating development and acting as protagonists in the fight against poverty. They are necessary and cannot be replaced. An explanation for much of the democracy deficit in Latin American countries can be found in the crisis and deterioration of political parties. The key to what has happened in Latin America is the emergence of new parties and the decline of traditional ones, because old parties have been unable to adapt to new social realities. The very modest performance of distributive policies can be understood only in the context of the crisis in political representation. It is time to ask less of democracy and more of politics, because democracy cannot be the scapegoat for decades of inequality in Latin America.

- Sustainability of political stability will come with the help of democratic institutions that are “inclusive and including,” that are accountable to citizens, and that allow a larger role for civil society’s organizations and social media, as well as greater participation of minorities, women, indigenous populations, and the poor. The strength, effectiveness and autonomy of political institutions will be the factors that we examine in the defense of systems that must face the region’s recurring crises of governability (Lowenthal, 2000).
- The effectiveness of political leadership in the construction of the State, in governability, and in the achievement of economic development is clearly associated with the success or failure of democracy over time. This leadership is evident particularly in its ability to adapt to the growing demands for participation by newly mobilized agents; its capacity to respond to economic crises in the democratic context; its performance in facing the challenges of poverty, exclusion and inequality; and finally, its capacity to react to political crises and polarization and conflict among powers. Effective political leadership must have the will to overcome the temptations of emphasizing strong and authoritarian leadership over citizen participation, and of allowing individual and corporate interests to prevail over the interests of the general population.
- As Touraine (1999) has said, economic life has taken the lead with respect to political and juridical norms, and the increasing autonomy of economic activity makes it less dependent on political and social institutions; this results in weakened political and social order. Moreover, the institutionalization of politics will be the only way to effectively counterbalance the excesses of economic power, and above all, the inequitable conditions that threaten legitimacy of the economic model. Because finally, it will only be political pressure that can effectively place social objectives at the center of the political economy.

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Government and Civil Society/Social Issues

Whether global or local, democracy is primarily the endless search for social justice at all levels. It must be oriented toward achieving development, and determined to exercise its power to reduce inequality. It is no coincidence that the topics of democratic governance and social cohesion are woven together as a whole in the framework of the 2004 Latin America–European Union Summit in Guadalajara.

In Latin America, political transformations must not give up on eliminating inequality, that great obstacle to strengthening democracy. Although its various authors bring up numerous challenges, this book is first and foremost a theoretical and practical endeavor to uncover the biggest issues of the future regarding the reform of Latin America's public institutions.

Romano Prodi

Former President, European Commission

We believe that the struggles against social inequity and for reducing inequality require a democratic, effective, and efficient government; this entity should respond to the needs and aspirations of the poor, be accountable to them, and provide them with a voice and influence in the institutions that determine their living conditions and greater welfare.

The reflections of a distinguished group of experts, contained in the various chapters of this book, reveal an indisputable link between the quality of the process of government, democratic governance, and the economic and social results expected by millions of Latin Americans who are still excluded from public policy processes in the region.

Enrique V. Iglesias

Former President, Inter-American Development Bank



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Washington, D.C. 20577
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www.iadb.org/pub

ISBN 1-59782-019-9



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