At the Second Summit of the Americas in Santiago de Chile, held in April 1998, the heads of state declared that economic integration and education were the two most important areas of state responsibility at the turn of the century. The prominence of trade and economic integration came as no surprise. It was also expected that education was presented primarily as a social investment necessary to make countries competitive in the global market. These recent policies and statements suggest that the dark days of the dictatorships are gone from the region and that democratic governments, free trade, and high quality education are all integral pieces of a new era of prosperity and justice.

We argue that the opposite is true. Elites in Latin America, with their strong ties to transnational capital, like elites in the central economies, have long sought control over social and economic policy with a view to increasing their share of income and wealth. Just as the dictatorships of the 70s and 80s were necessary to implant and sustain the first crude forms of economic liberalization, representative democracies and increasingly stratified educational systems are now necessary to protect and maintain neo-liberal policy. Reform of public education in this context neatly serves three important functions:

1) Its poor quality justifies the undeniable spread of poverty in the region as economies have opened to imports.
2) It shields neo-liberals from responsibility for the negative effects of their own trade policies.
3) It constitutes a large and lucrative new market for information and communications technologies that was previously closed.

The Question of Neo-liberalism
Generally, critics of neo-liberalism describe it as economic and social strategies that together constitute the renovation of the old liberal mercantilist ideal. However, those who currently design and implement these policies reject the term neo-liberal and instead use terms such as privatization, decentralization, deregulation, and tax reform to convey the same meaning. In this way, they successfully disown the long ideological continuum from which they have evolved, while simultaneously promoting neo-mercantilist processes as new and diverse. In this article we will operate within a historical framework in an attempt to relate neo-liberalism to its real antecedents.

Neo-liberalism is a paradigm that changes in form but is consistent in content. To a large extent its resilience resides in the inadequate accusations and descriptions used by its detractors, on the one hand, and the flexible practices employed by its subscribers, on the other. The paradigm has passed through various stages, including fundamental,
institutional, and global. The first, or fundamental, stage gave rise to a kind of original orthodoxy in a reaction to the Welfare State after the end of the Second World War. Briefly, and without great theoretical pretension, we define the Welfare State as a form of state born after the Second World War, which sought to regulate markets and significantly expand social rights. The Welfare State lasted over three decades in the central countries, but the oil crisis of the late 1970s, among other things, brought it to an end. During this period in certain peripheral countries such as Argentina, Uruguay, and Chile, governments emerged that responded to the demand for social rights, although this process was halted and then reversed by military dictatorships by the 70s.

Neo-liberalism, as a vehement political and theoretical reaction to the Welfare State, made a forceful debut in 1944 in The Road to Serfdom, in which Friedrich Hayek developed a systematic, coherent, and elaborate doctrine. This book outlined the original neo-liberal orthodoxy that corresponded to the fundamental stage (Hayek, 1944). The basic doctrine is built on the belief that the market is the best instrument for assigning resources and meeting human needs. According to this thesis, the market would implicitly constitute a self-regulating mechanism. In this way, neo-liberal theory impugned the state as an agent for the redistribution of resources in favor of a specific social sector unable to meet the demands of market efficiency. Early adherents to neo-liberalism then undertook to develop a series of policies designed to promote sustained economic growth and technological progress. Based on growth and technology, the explicit utopia to which they aspired would ultimately distribute its benefits by fairly rewarding the most ambitious and the most efficient individual economic actors.

For approximately 20 years, the theory did not prosper in western democracies, as capitalism experienced a long wave of growth and neo-liberal attacks on the Welfare State enjoyed little credibility. Instead, neo-liberal policies took root in Latin America due to the weakness of both the economies and the democratic political systems in place. During the 1960s and 1970s, broad neo-liberal experiments took place throughout the region, accompanied by enormous popular response in the form of general strikes, popular uprisings, and the formation of guerrilla bands. In 1970, for example, a socialist was popularly elected to the presidency in Chile, which led to the first of numerous military coups in the region that were linked to neo-liberal economic ideology. For many years after the coup in his country, General Pinochet was unable to produce rapid economic growth in Chile and had to maintain power through repression. By the time his government demonstrated macroeconomic growth, the central countries were already deep into the era of Margaret Thatcher and Ronald Reagan, both of whom are considered symbols of neo-liberalism in its institutional stage. During the 1970s, the dramatic increase in energy costs, resulting inflation, and economic crisis brought an end to the golden age of the Welfare State in the central countries, thus opening a door for a crisis of social consensus in the United States and England. With the advent of the 1980s and the Thatcher and Reagan administrations, an ideological tidal wave developed, finally washing over much of Western Europe and the rest of Latin America, except for Cuba.

In 1982, the crisis of the external debt exploded in Mexico and quickly affected the rest of the region. By that time, a club of creditors had emerged headed by the Bretton Woods institutions: the World Bank and the International Monetary Fund. These international
financial institutions (IFIs) then designed and implemented the programs of structural
adjustment, which could be easily characterized by a series of common features.
Inspired by a relatively uniform and global program of political economy, these policies
represented what we know today as the neo-liberal paradigm. The central purpose of
these adjustments was the revival of sustainable high economic growth and profit rates,
the axis of the agenda developed by the fathers of neo-liberalism thirty years before.

The global stage of neo-liberalism developed at the end of the 1980s with the world-
wide expansion of the democratic electoral processes associated with capitalism. The
alternative project supposedly represented by the Soviet Union imploded for reasons of
its own, and "Soviet-style socialism" came to be recognized as nothing more than a long
painful road to capitalism. There then followed a crusade in U.S. foreign policy
promoting the virtues not only of free market reforms but also of neo-liberal democratic
political systems. This crusade for global democratization arose from concern about
security because Latin American dictatorships had become long-term liabilities for the
United States. Their obvious repressive structures made them vulnerable to progressive
movements that easily identified them with North American capital and military
support. The struggle for democracy was fundamental to the struggle against these
dictatorships, and it was necessary to remove this battle standard from groups hostile to
the United States. The Latin American dictatorships, which were often maintained by
armies developed to consolidate North American interests during the Cold War and
trained in special schools for this purpose, were transformed into ideological
boomerangs against the United States. The repressive actions of these governments
made the enemies of the neo-liberal ideal into victims and martyrs, thus heightening
their appeal.

Lacking formidable external support, these dictatorships experienced defeat by
democratic forces in virtually all countries in the region, through processes not yet
ended. With the collapse of the Soviet Union and the establishment of democratic
governments in much of South America, the neo-liberals needed to manufacture the
certainty that democracy would only be sustainable within the framework of their
market-oriented policies. This goal was relatively easy to achieve in heavily indebted
countries weakened by inflation and with fragile political and social institutions.

Neo-liberal democratic capitalism expanded dramatically during the 1990s and came to
be adopted even by social democratic and socialist movements and parties that had
previously proposed reforms based on the continued centrality of state functions. This
expansion finally engulfed socialist and social democratic governments in Europe such
as those in Spain, Portugal, Greece, France, and Italy. In Latin America, neo-liberal
orthodoxy overwhelmed even those political currents with large mass appeal that
historically represented independent national development such as the Institutionalized
Revolutionary Party (PRI) in Mexico and Peronism (Justicialismo) in Argentina. Even
Pope John Paul II became an ally of neo-liberalism through his encyclical Centesimus
Annus.

**Inequality and Poverty in Latin America**
During the last two stages of neo-liberalism, we have witnessed a significant upward
transfer of income and wealth in Latin America (The World Bank, 1993; Berry, 1997;
Pánuco-Laguet & Székely, 1996; Lodoño & Székely, 1997). In addition, we have seen a rapid concentration of both power and wealth in the capitalist North, together with concentrations of transnational capital that have never existed before (Beck, 1998; Bello, 1994; Castenada, 1993). This development is not the result of an inexorable historical tendency. It is instead a political construction, built out of a confluence of circumstances, the demands of political realities, and the immunity to political pressure enjoyed by the IFIs within the context of neo-liberalism.

In a historical context, it is not surprising to find that socioeconomic inequality in the region has increased during the past two decades. Violent repression of movements which defended constitutional regimes in Latin America but eschewed the confinements of the Cold War, as well as of militants who opposed the prevailing injustice, explains much of the skewing of the income distribution in the 1980s and 1990s. Thousands who died, disappeared or fled into exile in the 1970s testify to the consequences of pursuing greater economic independence, social justice, and political sovereignty. During those years, trade unions, agricultural cooperatives, and any other attempt at popular organization were relentlessly persecuted. Progressive intellectuals and educators suffered similar treatment. The resulting weakness of trade union organizations following this ferociously repressive period was an important factor in the shift upward of income and wealth.

After repression had debilitated unions, privatization began to reduce employment in public services. Private sector employment, however, never achieved the expected productivity increases necessary to absorb labor expelled from civil service as a consequence of the sale of state enterprises. On the one hand, oppressive measures tended to act as disincentives for workers, while on the other, tax exemptions and credits were not widely used to invest in production.

While the public debt grew dramatically, much publicly borrowed capital left the region in transfers of private wealth to banks in Switzerland, Miami, and the Caribbean, where it remains to this day. As a consequence of uncontrolled imports, national industries in many countries declined. Poverty deepened and spread because the austerity measures proposed by the IFIs and agreed to by national elites did not tend to affect the elites but instead fell heavily upon the poor and the middle class. Public expenditures on health, housing, and education, which benefited these latter social groups, were drastically curtailed. The deterioration of education, art, scientific investigation, and civic culture, not to mention incomes, led the 1980s to be called universally the "lost decade."

Although the 1980s opened with the revival of democratic processes in many countries, constitutional institutions continued to be very weak and easily subjected to the conditions imposed upon them either by previous dictatorships (as in Chile) or by foreign capital (as in Argentina). By the end of the last century and the beginning of the new one, the consequences of this situation included regional poverty rates ranging from 41 to 61 percent, depending on the source of the statistics.

**Educational Reform**
Latin American governments and the IFIs are now looking to education as a remedy for social ills such as poverty, growing inequality, violence, and the erosion of basic moral
principles (Declaration and Plan of Action from the Second Summit of the Americas, 1998). The newer curricula tend to feature numerous explicit social expectations and orientations, and technical cooperation projects proliferate in such areas as education for democracy, education for peace, health ("wellness") education, sex education, environmental education, and moral education.

By the end of the 1980s, Latin American governments had been bombarded with irresistible remedies for addressing social problems, and education was identified as one of the most effective prescriptions. Although neo-liberal economic policies had been thoroughly discredited as a means of improving living standards and income, these same market-oriented policies were now to be extended to educational reform, which emerged as the most promising tool of the neo-liberals for maintaining their claim to social responsibility. However, we argue that education, even if reformed in the most effective and generous manner possible, cannot generate employment, eliminate or even mitigate unequal income distribution, oblige private and public capital to make responsible long-term investments, repair the social fabric, or reduce violence.

Democracy and Educational Reform
The structural adjustment programs imposed by the IMF, the World Bank, and the Inter-American Development Bank (IDB) required specific policies in the countries affected. In particular, education, health, and other social service policies were systematically and uniformly designed, administered, and evaluated by these same institutions. In this way, political power was transferred from the indebted states to the multilateral institutions. This subordination of national political systems created, de facto, a problem of democratic governability and now constitutes a real limitation on the capacity of the elected representatives of Latin American democracies to resolve national issues autonomously. Further, democratic institutions and processes are not only weakened by the dictatorships of the recent past, but they are debilitated by the deep socioeconomic inequality within the societies that sustain them. Such democracies do not require and probably cannot tolerate a high level of popular participation because of such dramatic differences in wealth. The parties and organizations that actually make political decisions are, in virtually all cases, directed by elites who have strong socioeconomic ties to foreign capital and who function to effectively legitimize the economic and cultural models of the larger capitalist economies. Educational reform, in the style proposed and now imposed by the IFIs, serves a dual role in this process. One, its inherited ineffectiveness justifies existing inequalities. Two, the remedies for this backwardness, designed abroad and implemented by national elites, create extensive and highly profitable markets for the rapidly developing information and communications technology, also designed abroad.

According to the Report on Social and Economic Progress in Latin America (Inter-American Development Bank, 1996), a review of the education reform policies promoted by the IFIs in the region reveals a clear congruence with the explicit objectives and policies of the neo-liberal program. Regional analyses consistently identify the following problems in Latin American educational systems: disproportionate allocation of resources to higher education, highly centralized bureaucratic administration, well-organized teachers' unions that resist reform, isolation from actual labor markets, lack of autonomy in local schools, deficient administrative capability, lack of school choice on
the part of parents, a lower than necessary ratio of teachers to students, and the
deleterious state of the teaching profession (Inter-American Development Bank, 1996;
Puryear, 1997).

There are, of course, large elements of truth in this diagnosis of the ills affecting
education in the region. The problems listed are real. However, the solution to these
problems, which has been formulated, partially financed, executed, and evaluated by
the IFIs, is embedded in the general conceptualization of society and the state as taken,
chapter and verse, from orthodox neo-liberal doctrine.

The Inter-American Development Bank (1996) points out the lack of responsibility
enjoyed by teachers and administrators in relation to student performance, as well as the
absence of evaluation mechanisms and adequate academic standards:

Lack of information on the performance of educational systems is a byproduct of
the problems of organization. The lack of tests and measurements of cost-
effectiveness in some sense is convenient for both administrators of the system
and teachers. They thereby remain protected from pressures to be accountable
for the performance of the system. Proper management of the educational sector
thereby becomes less likely (p. 288).

According to the Report (Inter-American Development Bank, 1996), which was and
continues to be of great importance politically, governments need to increase their role
in educational financing through a more efficient distribution of resources because the
existing allocation does not link the income of "producers" (teachers) to the quality of
service. To address the missing link, the IDB (1996) prescribes vouchers. In a voucher
system, schools compete for students' enrollment by providing a better quality
education. Therefore, in the context of neo-liberal orthodoxy, the most effective school
prospers in a market economy, just as any efficient enterprise would. Budget resources
are thus assigned to "consumers" (students/parents) rather than to schools, and the
students and their parents choose the schools they prefer.

Without entering the polemic about the ideological implications of this scheme or the
possible accounting problems incurred in poorly regulated societies (corruption,
misrepresentation through advertising, clientelism, etc.), we will simply summarize the
well-known arguments against the use of vouchers in education:

1) Educational systems are structurally inconsistent with market principles because
good education is heavily subsidized, and no evidence exists to suggest that it can
become a profitable enterprise.

2) The market for basic education in Latin America is already distorted for
populations in poverty. Poor families lack resources to investigate the relative
advantages of different educational options.

3) Ethical and attitudinal considerations intervene. According to market principles,
for example, money should be invested where the return is highest. If we measure
"return" in lifetime wages, then educational expenditures for women, indigenous
peoples, or any social group that suffers discrimination - and therefore lower
wages - would be "inefficient."
4) Public schools are impoverished by the diversion of resources as well as the best teachers and students to subsidized private schools.

Nevertheless, the determination of the IDB and the World Bank to implement these policies in indebted countries and/or countries with a recent history of repression is continuing and consistent. Where the prescriptions of the IDB and the World Bank have been comprehensively adopted, such as in Chile, the increasing stratification of educational services is now clearly visible. The functioning of the voucher system in Chile is highly instructive, and the transformation of the school system based on principles of competition over the course of twenty years demonstrates how neo-liberal reforms in education have contributed to increased inequality in education.

The Chilean system now includes three types of schools: municipal public schools, private voucher schools that are funded publicly but managed privately, and private schools that are both funded and managed privately. According to a study by Christian Aedo (1998), test scores in language and mathematics showed that students in municipal schools did significantly worse than students in voucher schools, who in turn performed less well than private school students. Aedo (1998) argues that these differences still obtain when the effects of socioeconomic status are controlled. However, his controls for socioeconomic status are not rigorous, and the true picture is a complex tangle of cause and effect. The only clear conclusions to be drawn include the following:

1) Schools classified as low-income, based on the socioeconomic status of students, show much lower test scores than high-income schools.
2) Municipal public schools have much lower test scores than either voucher schools or private schools.
3) Municipal schools and low-income schools tend to be the same schools.

Additionally, we know that municipal schools cannot select their students because these schools are a last resort. Aedo (1998) also explains that the voucher provided by the government is inadequate, and the parents who can manage have paid the difference since 1993. And so the question remains, are the better results of voucher schools in comparison to municipal schools due to more efficient private education or are they simply another sign that students from higher-income families in well-equipped schools do better on standardized tests?

We actually know the answer to this. The effects of poverty are intergenerational. A student who comes to school hungry, tired, and perhaps ill, does not test well, unlike the student who arrives well-fed, cared for, and motivated. In Chile, the poorer student will tend to remain in the municipal school, which cannot expel her. Private schools have admission standards and tuition requirements that de facto exclude her.

**Final Reflections**

It is interesting to note that the politics of educational reform adopted by Latin American governments are depressingly similar from country to country and among consecutive governments. This consistency is the result of a common denominator: international financial institutions. Governments, negotiating the payment or restructuring of their debts, face heavy pressure from the neo-liberals at home and
abroad to open their economies and privatize public services. Although the IFIs are dominated by the influence of the U.S. government, the educational policies imposed by these institutions have not been successfully adopted in the United States itself. For example, voters in popular elections have repeatedly rejected voucher initiatives, and one city-wide voucher program in Florida was recently declared unconstitutional (Pressley & Cooper, 2000).

The stark difference between educational reforms in North and South America brings us back to the issue of neo-liberalism and democratic institutions. Policies that are called reforms, but which are so obviously harmful to so many, could not possibly be implemented in countries with strong democratic institutions and effective labor organization. The unilateral methods adopted by the IFIs as they install the social and economic structures in Latin America required by their constituencies, demonstrate the peculiar consensus of national and international elites and the lack of popular access to real decision-making that characterizes the capitalist democracies of Latin America.

Neo-liberalism, then, has been a long time in the making: beginning just after the Second World War, developing theoretically through the 1960s, profiting from the dictatorships of the 1970s and gathering the ideological momentum of the 80s and 90s. Now, in the new century, it presents itself without alternatives. Although it has failed to bring about the improvements in living standards that it universally promised, it is virtually without ideological challenge. This objective failure coupled with complete ideological triumph, is one of its most interesting features and one that could only be accomplished to the extent that meaningful democratic channels of communication and policy-making are blocked. So the future for educational reform in Latin America is a classic good news/bad news problem. The good news is that there will be increased spending on education. The bad news is that much of it will be borrowed from the IFIs and paid out to private profit-taking transnational corporations. The truly discouraging news is that once again, the poor and the working class will have to pay it back.

Notes

1. Based on dependency theory and world systems theory, we use the term "central" to describe states or economies that industrialized in the 18th and 19th centuries. Most of the central states were colonizers and were never colonized with the exception of the United States. Their development was therefore sustained by the import of cheap raw materials and access to cheap labor in the territories they dominated. The peripheral or colonized countries cannot duplicate this process simply because it is an international rather than a national process in which they have already been integrated in a dependent position (Wallerstein, 1989; Frank, 1975).

2. Chile represents perhaps the only exception. During the Pinochet dictatorship, the government did strictly apply an adjustment plan that finally resolved macroeconomic imbalances at the cost of a protracted period of unemployment and poverty, which the government managed through disenfranchisement, expulsion and repression of the poor and middle class.
References


Declaration and plan of action from the second summit of the Americas. (1998, April). Santiago, Chile.


This is the most comprehensive and up-to-date book on Latin American political economy currently available. It is well written, intellectually provocative, and touches upon all the most pressing issues affecting the economies of Latin America today. Kingstone's institutional focus is insightful and provocative. Peter Kingstone has written an authoritative account of Latin America's contemporary political economy. This overview of more than 100 years of development models has been updated to cover the region's more recent turn to the left with clear assessments of what worked, what didn't, and why. Kingstone does more than synthesize scholarly polemics. He writes about the politics of economic reforms and democratic politics in Latin America. Subject Categories. Almost every Latin-American state has engaged in a profound process of political-economic... Also, S. Edwards, Crisis and Reform in Latin America: From Despair to Hope (New York: Oxford University Press, 1995).Google Scholar. 7. M. Shifter, "Tensions and Trade-offs in Latin America," Journal of Democracy vol. 8, no. 2 April (1997), pp. 114-28.CrossRefGoogle Scholar. 8. D. Winkler, Educational Expenditures and Reform in Latin America (Washington, DC: World Bank, 1994).Google Scholar. 28. P. Oxhorn and P. Starr (eds), The Political Limits to Economic Reform: Economic Change and Democratic Consolidation in Latin America (Boulder, Col.: Lynne Rienner, 1997).Google Scholar. 30. Neoliberalism in Latin America embraced the notion of "free markets": - Move from nationalization to privatization of services such as transportation, telephone companies, etc. - Reduced import tariffs on foreign goods - Deregulated capital flows (removing limits on profits for multinational corporations) These principles were not new: they were all ideas that had been developed before the 1930s, but had been partially rejected throughout the 20th century. Neoliberalism gained ascendency through addressing the Latin American debt crisis of the 1980s Latin American nations had incurred debt to foreign banks, and during the 1980s factors such as inflation and rising interest rates made it difficult for Latin