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Latin America: Perspectives for Socialism in a Time of a World Capitalist Recession/Depression

James Petras

The paper examines the perspectives for socialism in Latin America in the context of the deepening world capitalist recession. Several specific world-historical changes in the development of capitalism mark out the uniqueness of capitalism and their impact on the US and Latin American class structure. US–Latin American relations have passed through several distinct phases over the past two decades: 1990–1999 The era of imperial pillage; 2000–2003 A moment of mass popular revolts; 2004–2007 The rise of relatively autonomous center left regimes and the primary commodity boom; 2008–present The world recession/depression and the crisis of the center-left regimes. Our analysis refutes the arguments of the ‘decoupling’ of Latin America’s center-left regimes and demonstrates their dependence, links and vulnerability to Euro-American economic recession. The crisis of the Latin American center-left is linked to their continuation of the neo-liberal policies, exacerbated by their embrace of primary commodities export policies during the boom and their failure to change property or class relations. The economic crisis and social consequences has created massive disenchantment with liberalism and capitalism, and provides the most promising objective economic condition for a revival of socialist alternatives. However, the subjective, or social-political forces capable of raising the issue of the socialist alternative are presently divided, fragmented and lacking in a strategy for taking state power.

Keywords: Primary Commodities; Center-Left Regimes; Recession-Depression; US–Latin American Relations; Imperialism; Socialism

Introduction

A serious discussion of the perspectives for socialism in Latin America today requires several levels of analysis, moving from world economic conditions, to US–Latin American relations, to their specific impact on Latin America. The analysis must focus on how the economic recession/depression impacts on the changing

political-economic systems and the class structures. Finally, within this framework, it becomes necessary to examine the development of the class struggle and anti-imperialist movement in specific countries and under different regimes.

While there are broad similarities to previous ‘recessions’ and economic cycles, there are many good reasons to think that what matters most in the present world conjuncture is the specific world historical conditions, which mark the present economic recession as very distinctive or unique.

Specificities of the Current Recession/Repression (RD)

We refer to the present crisis as ‘recession-depression’ because the negative growth of capitalism is an ongoing process that is still in its opening phase. The current recession is still spreading and will likely deepen into a depression as early as mid-2009 onward for a prolonged period. Secondly, the recession/depression is spreading unevenly in terms of depth and timing, with some countries and regions in more ‘advanced’ states of crisis (US–EU–Japan) than others (India and China).

A serious analysis of the current RD must take account of the massive structural changes in the composition of capital which have taken place over the last 50 years, which preclude any attempt to theorize about ‘long waves’ of capitalist cycles, and to make comparisons with previous recessions/depressions between 1929–1939 and later.

Any attempt to theorize about the length, duration, possible collapse of capitalism and emerging anti-capitalist forces begins with recognition of the new economic configurations of capitalism and the resultant new class formations.

The Uniqueness of the ‘New Capitalism’ in the Contemporary World

There are several unique features that define the current RD of world capitalism. These include:

- (1) The entire world with minor exceptions is now incorporated into the world capitalist market under private capitalist owners who control the principal means of production and distribution and employ wage labor. There are no longer communist economies run on the basis of state ownership and planning. The USSR, China and their allies and ex-clients in Eastern Europe, Asia and Africa have been converted into capitalist countries subject to the capitalist market. As a result, the entire world economy is now, for the first time in modern history, subject to the effects of world RD.
- (2) The level of integration between ‘national’ capitalist economies is deeper and more widespread than ever before in history, increasing the speed with which recessions in one major country or region are transmitted to the next.
- (3) The concentration and centralization of capital and their interlock, in particular the financial sector, has reached levels unprecedented in the past, thus facilitating growth of credit, financial power and wealth and the paper

economy in periods of expansion and multiple crises in all economic sectors (manufacturing, agriculture, public finance) in time of collapse.

- (4) Today the number and extent of wage and salaried workers is quantitatively greater than any other period in world capitalist history. The working class, in all its variants (employed and unemployed, seasonal, contract or subcontracted, formal and informal) is the principle source of capitalist revenue and income (directly through profits or indirectly via interest, taxes, royalties and rents).
- (5) The composition of capitalism is vastly different from any previous period in history. In particular the relationship between finance and productive capital. In the United States and the United Kingdom, finance capital is the nerve center for the concentration of capital; capital is transferred from all other economic centers and invested in speculative economic activities throughout the world economy. The centrality of finance capital explains the subsequent boom in commodity speculation, the real estate and housing bubble, and the conversion of the US economy from an export-manufacturing center to 'FIRE' (finance, insurance and real estate) and consumer import economy. The rise of finance-consumer capitalism in the US and UK and to a lesser degree on the continent created a new world division of labor in which Asia, especially China, South Korea and Taiwan, became the manufacturing export workshops of the world, South America the agro-mineral and oil exporter, the Middle East the oil financial sub-center and Africa the target of agro-mineral colonization subject to resource exploitation by the new Asian and older Euro-American imperial powers.
- (6) Latin America's 'restructured' capitalist economy emerged from the recession and financial crisis of the 1990s with its axis of growth anchored in agro-mineral exports. Between 2003–2008 all Latin American economies, regardless whether they were center-left or rightist, based their strategy on the 're-primarization' of their economies. The driving force of capitalist growth was centered on agro-business and mineral exporters. Export capitalism re-defined the class structure and increased dependence on overseas markets and diversified trading partners in Asia.
- (7) Primarization in Latin America led to the strengthening of neo-liberalism and the reconfiguration of state policy to favor agro-mineral exporters and accommodate the poorest section through vast clientelistic 'poverty programs'. Social movements and trade union leaders were co-opted. Surplus labor was 'exported' (overseas migration) and vast sums of overseas remittances were 'imported'.
- (8) The centerpiece of this 'new world order' was the United States financial system with its global networks penetrating the world economy. US financial dominance led to: (1) de-capitalization of manufacturing; (2) the massive expansion of real estate speculation; (3) debt-financed consumer-based growth; (4) the stimulation of Asian manufacturing growth and exports; and (5) the

boom in commodity production, exports and prices in Latin America. The link between the rise of US finance capital, the growth of Asian export industries and Latin American commodity boom was responsible for the high growth period up to 2007 and the subsequent collapse and deep recession beginning in 2008.

US Depression/Recession: The Domestic Consequences

The US economy is rapidly descending from a recession into a depression. Hundreds of thousands of workers are losing their jobs each month. One out of five workers are out of work or working part-time. One out of every ten homeowners cannot meet their mortgage payments and face eviction. The GNP will be receding at a rate between minus two per cent to minus five per cent for 2009. Manufacturing is declining to minus six per cent. Consumer spending is down 25 per cent. Bankruptcy rates are at depression levels. Credit is drying up. Major banks survive only because of the trillion dollar government bail-outs. Unemployment, bankruptcy, credit freeze, corporate losses and debt—a general depression—has devastated the domestic US economy, severely damaged the ‘real economy’ and stock market. Massive state spending and subsidies have failed to stimulate the financial system and to encourage lending to the productive sectors and to finance household consumption. US Treasury bonds are now paying negative interest rates (one per cent), far below the rate of inflation. The multi-billion-dollar Wall Street swindles have destroyed confidence between banks and investors, lenders and borrowers, government and industrial firms. The capitalist system has broken down. As an economic system it no longer performs its most basic functions, at a minimum level of efficiency: to produce, lend, employ, consume, trade and house.

The US depression/recession has a profound impact on all the world’s economies. Contrary to the ‘decoupling theories’, which argued that countries in Asia, Latin America or Europe had achieved autonomy, the US recession has led to a precipitous decline in European, Asian and Latin American exports to the US. The US financial crash has profoundly affected banks in Europe, Asia and Latin America—leading to the drying up of credit and massive capital flight as investors and speculators withdraw capital to cover losses in the US. The US–European–Asian recession is rapidly moving toward a depression and with it massive numbers of bankruptcies, unemployment, pension loss, home foreclosures, poverty and the further concentration of capital in a few state-financed private banks. The traditional ‘monetary stimulus’ of Central Bank, interest rate reductions, has clearly failed. Even though US interest rates are reduced to 0.25 per cent (almost zero), the Central Bank admits these measures have not even slowed down the descent into a deeper recession. The US capitalist state has resorted to unprecedented printing of money to finance its gaping \$2 trillion deficit for fiscal year 2009 and to avoid the collapse of basic federal, state and local government services. Major firings of public employees and the closure of social services have multiplied as social services funding has been cut.

What is striking about the US political-economy in this deepening recession is the divergence in performance between the stock market and the real economy; the vast reduction in public spending in the civilian economy and the increase in military spending; the reduction of civilian employees and the escalation of troops sent to war. In other words, the capitalist state is allocating its scarce resources to rebuild the empire and engage in multiple wars even as it starves the civilian administration of resources at a time when it verges on bankruptcy and the productive domestic economy collapses in a deepening recession.

A similar divergence in state policy is evident with relation to the vast sums allocated to support the financial sector and the total neglect of the productive economy. As the number of big banks pulled back from the brink of collapse has relatively stabilized, thousands of major manufacturing, mining, construction and transport enterprises have gone bankrupt or are on the verge of failure with virtually no state support.

This peculiar and specific character of the US capitalist crisis leads to several tentative observations:

- (1) Military-driven empire-building is the primary priority driving state policy over and above the domestic (and even export) productive economy. While the military budget and personnel grow, private investment funds and employment in productive sectors shrink.
- (2) The military-imperial complex is relatively and perhaps temporarily independent or 'autonomous' from the domestic productive economy. In fact, there seems to be an inverse relation: as the domestic economic crisis deepens, the military-imperial complex expands. Those who believed that the economic recession would undermine military-driven empire-building and wars and force the government to concede defeat, withdraw or 'negotiate' with adversaries, submit to multilateral coordinated decisions have been proven wrong. One might concede that a prolonged recession/depression may ultimately force the government to retrench military empire-building in the face of mass unemployment and even mass hunger. However, even that is uncertain given the lack of any mass protests and the reduction of the bureaucratized private trade union sector to below five per cent of the labor force. There is no protest even with the massive layoffs of unionized automobile, steel and other industrial workers.

There is no pre-determined point at which sufficient political pressure might arise to reverse the predominance of military imperial priorities over the civilian domestic economy. How many imperial wars of what duration will be counterposed to what percentage of unemployed and underemployed workers to set in motion a political shift to confronting the domestic recession/depression? Will it be two or three wars versus 20–30 per cent unemployment and underemployment? What is certain is that there is absolutely no pressure from within the Obama Presidency or among the Democratic and Republican members of Congress to reverse the supremacy of

empire-building over the domestic economy. The Imperial Wars will go on; the domestic economy will continue to decline.

The State's highest priority is placed on the military-imperial and financial sectors despite the breakdown of the domestic economy and the drain from the prolonged and failing imperial wars in the Middle East. This suggests that we are dealing with deep structural relations, which cannot be changed or reversed by one or another elected political official. Deep structures cannot be uprooted in the current context; new 'economic stimuli' can only activate short-term projects, whose scope and depth is limited by the voracious demands of the imperial wars and the dysfunctional financial system.

In conclusion, under present political conditions in the US, despite the deepening recession, the continued imperial military losses and the transition to an economic depression, the perspective is for the US to continue to drive toward political (and military) confrontation with nationalist, anti-Zionist, populist and socialist government and movements. They will act unilaterally when necessary or with clients and collaborator states where possible.

Impact of World Recession and US Imperial Revivalism in Latin America

Latin America's economies are feeling the full brunt of the world recession. Every country in the region, without exception, is experiencing a major decline in trade, domestic production, investment, employment, state revenues and income. Latin America's GDP projected growth for 2009 has declined from 3.6 per cent in September 2008, to 1.4 per cent in December 2008.¹ More recent projections estimate Latin America's GDP per capita falling to minus two percent (−2 per cent). As a result bankruptcies will proliferate and state spending on social services will decline. State credit and subsidies to big banks and businesses will increase. Unemployment will expand, especially in the agro-mineral and transport (automobile) export sectors. Public employees will be discharged and experience a sharp decline in salaries. Latin America's external financial flows will suffer the loss of billions of dollars and euros from declining remittances from overseas workers. Foreign speculators are withdrawing tens of billions of investment dollars to cover their losses in the US and Europe. Foreign disinvestment replaces new foreign investment, eliminating a major source of financing for any major joint ventures. The precipitous decline in commodity prices, reflecting an abrupt drop in world demand, is sharply reducing government revenues dependent on export taxes. Foreign reserves in Latin America can only cushion the fall in export revenues for a limited time and extent.

The recession means the entire socio-economic class configuration, around which Latin America's growth model is based, is headed for a long-term, large-scale transformation. The entire spectrum of political parties, which dominated the electoral process, linked to the primary commodity export model will be adversely

¹ *Financial Times*, 9 January 2009.

affected. The trade unions and social movements oriented toward increasing wages, reforms and greater social spending within the primary commodity export model will be forced to take direct action or lose relevance.

The initial response of the 'center-left' political regimes to the deepening recession/depression has largely focused on: (1) financial support for the banking sector (Lula) and lower taxes for the agro-mineral export elite (Kirchner/Lula); (2) cheap credit for consumers to stimulate car purchases (Kirchner); and (3) temporary unemployment benefits for workers laid off from closed small- and medium-size mines (Morales). The main response of the Latin American regimes up to the beginning of 2009 was, at first, self-delusion, the belief that their economy would not be affected. This was followed by an attempt to minimize the crisis, claiming that the recession would not be severe and would experience a rapid recovery in late 2009. They argue that the existing foreign reserves will protect their country from a more severe decline.

According to the IMF, 40 per cent of Latin America's financial wealth (\$2.2 billion) was lost in 2008 because of the decline of the stock market and other asset markets and currency depreciation. This decline will reduce domestic spending by five per cent in 2009. Latin America's terms of trade have deteriorated sharply as commodity prices have fallen sharply, making imports more expensive and raising the specter of growing trade deficits.²

The onset of the recession in Latin America is evident in the 6.2 per cent fall in Brazil's industrial output in November 2008 and its accelerating negative momentum.³ As a result, Latin America is entering a period of profound, prolonged recession without any serious plan or program to counteract its destructive impact.

The Recession/Depression Impact on Transforming the Class Structure

The recession is having a major impact in transforming the Latin American class structure. The size and influence of all classes, from the top to the bottom, is deeply affected.

First of all, the big fall in demand and price of primary commodities resulted in a sharp decline in the income, power and solvency of agro-mineral exporters. Much of their expansion during the 'boom years' was debt-financed, in some cases with dollar and euro-denominated loans.⁴ Many of the highly indebted 'export elite' face bankruptcy and are pressuring their governments to relieve them of immediate debt obligations. In the course of the recession/depression there will be a further concentration and centralization of agro-mineral capital as many medium and large miners and capitalist farmers are foreclosed or forced to sell. The relative decline of the contribution of the agro-mineral sector to the GDP and state revenues means they will have less leverage over the government and economic decision-making. The collapse of their overseas markets and their dependence on the state to subsidize their

² *Financial Times*, 9 January 2009, p. 7.

³ *Financial Times*, 7 January 2009, p. 5.

⁴ *Financial Times*, 9 January 2009, p. 7.

debts and intervene in the market means that the so-called 'neo-liberal' free market ideology is dead—for the duration of the recession. Weakened economically, the agro-mineral elite will turn to the expanding role of the state as its instrument of survival, recovery and refinancing.

The 'new statism' has absolutely nothing 'progressive' about it let alone any claim to 'socialism'. The state under the influence of the primary sector elites assumes the task of imposing the entire burden of the recession on the backs of the workers, employees, small farmers and businesspeople. In other words the state will be charged with indebting the mass of people in order to subsidize the debts of the elite export sector and provide zero-cost loans to capital. Massive cuts in social services (health, pensions and education) and salaries will be backed by state repression. In the final analysis the increased role of the state will be primarily directed to financing the debt and subsidizing loans to the ruling class.

The economic decline of the agro-export elites makes them politically vulnerable because they will no longer function as the 'engine of growth'. Under conditions of 'neo-statism' one of the axis of the class struggle shifts to a confrontation over who controls the state, its budget, its expenditures and 'intervention'. Because of the central role of the state in the economy during a recession/depression, all class relations and class struggles pass directly into political confrontation with the state over whether the state will save capitalist ownership of the means of production or expropriate it.

The financial and industrial sectors linked to overseas markets and financial sectors face serious deterioration in market shares, capital financing and credit. A serious process of 'de-capitalization' will result as the recession/depression deepens in North America, Europe, Central and South America. The worst affected sectors are those with the greatest integration in the world market. The greater the globalization, the more rapid has been the spread of the financial crisis in banking, automobile manufacture and communication industries. Those financial and manufacturing sectors mostly linked to the domestic economy will partly escape the downturn in the early phases of the crisis.

The idea that because Latin America went through an earlier regional crisis (1998–2002) it can escape the full effects of the current recession/depression is not credible. Latin America cannot build capitalism on one continent. Latin America's delay in feeling the full blast of the first wave of the recession (2008) only means that as the second wave hits in 2009, there will be major plant closures of subsidiaries of multi-nationals and bankruptcies of all the satellite industries. This will be accompanied by massive lay-offs of industrial workers and wage reductions. Because of the socio-political importance of industrial workers concentrated in urban centers and the dependence of service employment on the industrial sectors, the state will be forced to intervene with some compensatory unemployment programs with public works at subsistence wages. In so far as the trade unions cannot transcend the collective bargaining framework, new forms of mass organizations of the semi-employed and unemployed workers will likely emerge,

using the tactics of direct actions—paralyzing the roadways, transport networks and occupying closed plants and public buildings, similar to what occurred in Argentina between 2000 and 2003.

The informal sector will multiply, as millions of unemployed crowd the streets competing fiercely in a shrinking labor market. In the face of recession/depression and border controls, overseas emigration as an escape valve will no longer be available. Internal and inter-country migration will offer no relief. The lack of savings and unemployment benefits, and the decline of overseas remittances, combined with meager public works programs used for political patronage, will raise the political temperature in the urban centers and slum settlements surrounding the capital cities.

Nevertheless, there will not be any ‘automatic radicalization’. The specter of hunger may just as well encourage a turn to rightwing populist demagogues or even an increase in urban gangs and the growth of the underworld economy, as well as leftist-led unemployed and informal worker organizations and anti-capitalist factory occupations. There are examples of vibrant unemployed workers’ organizations from the recent past, especially in Argentina. Nevertheless, the new circumstances require adapting and developing new forms of struggle, not merely repeating experience from the past, embedded in different historical contexts.

The abruptness, depth and extent of the capitalist recession make most electoral institutions and formal legislative bodies irrelevant: the massive spread of unemployment, bankruptcies and revenue losses cannot be dealt with through the lengthy negotiations and inconclusive debates of parliaments. Executive and extra-parliamentary direct action will become the order of the day.

Consequences of the Recession for the Left

The capitalist recession/depression, by itself, is no guarantee that the left will be the principal beneficiary of the ensuing popular discontent. Several contingencies will be crucial in determining the initial political character—most of all, that of the incumbent regime as the recession unfolds. Where the self-styled ‘center-left’ regimes are in power, as in Argentina, Bolivia, Ecuador, Uruguay, Paraguay, Chile and Brazil or the nationalist left as in Venezuela, and where state-funded stimulus packages fail to counteract the recession-depression, political conditions will favor the return of the right. The right will rely on state intervention to finance capitalist recovery and repress mass protest. Where the neo-liberal right rules as in Mexico, Peru and Colombia, mass popular movements will find political expression through leftist political organizations.

In the absence of any strong nationally organized revolutionary force, the recession/depression, by itself and even with mass protest, will not lead to a social transformation. At least in the initial phase of the crisis in 2009, most mass pressure and struggles will be directed to conserve jobs, block mass layoffs and even some ‘defensive’ factory/enterprise occupations. This may be accompanied by demands for greater state involvement, either through subsidies to failed enterprises or selective

nationalizations. The total demise of neo-liberal ideology is inevitable; but its initial replacement will most likely take the form of 'state capitalism'. The most radical responses and popular demands will occur in those countries most dependent on primary product exports and world demand, and in those countries most integrated with the depressed markets of the US and EU. These countries include, in particular, Mexico, Central America, Ecuador, Peru, Venezuela and Bolivia. Chile, Argentina, Brazil and Colombia, with more diversified exports and a larger internal market, will also be impacted by world and regional recession but not as severely or abruptly. The recession will proceed in phases, cushioned initially by large foreign reserves. By mid-2009, the recession will accelerate as capital flight and the loss of credit, investment markets and remittances intensifies. Local producers and capital markets will be hit hard. By the beginning of 2010 Latin America will be deep in recession.

Leftwing radicalization will really take hold, once the large-scale economic stimulus and public works programs fail to stimulate the economy and as the recession deepens and becomes prolonged. The key to the growth of revolutionary movements will depend on their location in the socio-economic centers of the crisis with organized cadres and local opinion leaders capable of articulating and linking local discontent with a national plan of struggle, informed by a clearly anti-imperialist, socialist program. Given present circumstances the recession/depression opens a door of opportunity for the re-emergence of mass movements, which in turn provide an active audience for the revival and renewal of socialist movements. The renewal of socialist mass movements will reflect the recent limitations of 'leftist fragmentation', 'spontaneism' and a lack of deep implantation in factories and neighborhoods. The world recession not only undermines the legitimacy of neo-liberalism but of the entire capitalist class configuration. The collapse raises the specter of 'statist nationalism' as a prelude to a publicly directed economy. In the context of capitalism, which is unable to operate through market mechanisms, bankrupt and weakened export strategies and growing protectionism, severe strains in US–Latin American relations are inevitable and promising for the success of a socialist project.

US–Latin American Relations: 1998–2008

To understand the current and immediate future of US–Latin American relations, it is necessary to identify four clearly demarcated periods: (1) The 'Golden Age of Imperial Pillage (1990–1999); (2) Crisis and Political Challenge (2000–2003); (3) the 'relative autonomy' of the commodity boom period (2004–2008); and (4) world recession/depression and declining power of imperial capital (2009 onwards).

The 'Golden Age' of Euro-US imperial pillage of Latin America was characterized by relations of intense exploitation (what Guido DiTella, Argentine President Menem's Foreign Minister dubbed a 'carnal relation'). This period was defined by the unlimited pillage and transfer of profits, resources, rents, royalties and interest payments. Euro-US capital acquired—at below market prices—banks, mines and vast expanses of land, which, in its totality, scope and durations, was unprecedented in

modern imperial history (post-WWII). Over 3,000 lucrative public enterprises were 'privatized' and de-nationalized at a fraction of their market value. Loans were contracted at exorbitant interest rates, most of which rarely entered the country and rarely served any productive purpose. In all the international and regional forums, Washington could count on the votes, diplomatic support and even the provision of mercenaries to back Bush and Clinton's imperial military conquests (Yugoslavia, Kosovo and Somalia) and maintain embargoes (Cuba, Iraq and Iran).

The US economic domination of Latin America exceeded even that of the preceding decade under some of the dictatorial military regimes. The neo-liberal electoral regimes proceeded to privatize military-run industrial enterprises.

The 'Golden Age' of Euro-US pillage and absolute dominance was based on close collaboration with corrupt rightwing electoral regimes. The latter were dubbed 'democratic' or 'in transition to democracy' by Euro-US and Latin American academics funded by the major imperial foundations (Adenauer, Ebert, Ford, Rockefeller, the Fulbright Scholarship, the National Endowment for Democracy). US imperial rule operated through electoral collaborators, business elites and security officials at the top and an army of European- and US-funded non-governmental organizations (NGOs) in the countryside, cities and poor communities at the bottom. With World Bank funds, the NGOs acted to undermine independent class movements by focusing on local micro-projects rather than national structural transformations.

For US officials, relations with Latin America, established in the 'Golden Age', were taken as the norm and the bases of all future relations. They were oblivious to the fact that: (1) pillage was leading to mass exploitation, unemployment, internal crisis and financial disintegrations; (2) independent extra-parliamentary movements were gaining influence and hegemony among the majority and the power to overthrow not only military dictatorships but especially corrupt imperial electoral clients; and (3) that US 'hegemony' did not penetrate below the top elites. Generalized opposition to US dominance was extending to broad sectors of the downwardly mobile middle class, especially in the public sector adversely affected by neo-liberal 'privatizations'.

The Demise of US Dominance: Popular Uprisings of 2000–2003

Just as US power stood virtually unchallenged during the 'Golden Decade', the period between 2000 and 2003 witnessed mass popular urban uprisings, massive rural movements and the emergence of Indian-based takeovers of regional and local governments. As a result, US dominance evaporated along with the demise of its hegemonized collaborator elites.

Between 2000–2003, Latin American politics took a decidedly left turn as the US most prominent supporters were defeated, ousted and/or fled from office. Angry majorities took to the streets, badly hit by a combination of financial and economic crises, the pillage of resources, enterprises, bank accounts and the emptying of public treasuries. The fallen US clients (or would-be clients), included the presidents of the

several countries of the region: De la Rúa in Argentina, Sanchez de Losado in Bolivia, Noboa in Ecuador, the 48-hour civil military coup-plotters in Venezuela (2002), and Cardoso in Brazil.

The driving force behind these political revolutions were powerful social movements, in particular those representing the urban poor, Indians, peasants, unemployed workers and downwardly mobile public employees. In contrast to the past, organized urban trade unions and students played a secondary role. As in all empires, US dominance depended on the capacity of the local ruling class to maintain political control either through force, fraud or corrupt electoral procedures. Once the client ruling electoral class was ousted, US influence over the countries diminished sharply.

The political result of the period of mass mobilization was the emergence of 'center-left' regimes, a hybrid reflecting some of the consequences of the mass power as well as the continuities of the clientele politics of the past. The period of mass mobilizations challenged many of the fundamental features of 'Golden Age' of US imperial rule. The movements called into question the privatizations and denationalization of the economy, the massive illicit foreign debt, the advance toward a highly prejudicial 'free trade-free market' agreement with the US and a banking system subordinated to and plundered by local and foreign speculators linked through overseas subsidiaries.

Even as the movements were not able to enforce any fundamental changes in property or class relations, they were able to force through a number of other important secondary changes, including banking regulations to limit pillage and foreign-dictated monetary policy and the re-nationalization of a few enterprises that were taken over by workers or were considered of national importance.

In the case of Venezuela, the Chavez government carried out large-scale nationalization of the state petroleum company, which had been run by executives who subordinated the industry to US multinational companies (MNCs) and foreign banks.

The most important mass movements initially imposed a rough framework of national autonomy, which allowed the emerging center-left regimes to adopt a more flexible and autonomous posture in pursuing national interests independent of the US.

The Period of 'Relative Autonomy': 2005–2008

If the US suffered a severe loss of influence in the first half decade of the early 2000s due to mass mobilization and popular movements ousting its clients, during the subsequent four years the US retained political influence among the most reactionary regimes in the region, especially Mexico, Peru and Colombia. Despite the decline of mass mobilizations after 2004, the after-effects continued to ripple through regional relations and blocked efforts by Washington to return to relations that had existed during the Golden Decade of pillage (1990–1999).

While internal political dynamics put the brakes on any return to the 1990s, several other factors undermined Washington's assertion of full-scale dominance:

- (1) The US turned all of its attention, resources and military efforts toward multiple wars in South Asia (Afghanistan), Iraq and Somalia, and to war preparations against Iran while backing Israel's aggression against Palestine, Lebanon and Syria. Because of the prolonged and losing character of these wars, Washington remained relatively immobilized as far as South America was concerned. Equally important Washington's declaration of a intensified worldwide counter-insurgency offensive (the 'War on Terror') diverted resources toward other regions. With the US empire-builders occupied elsewhere, Latin America was relatively free to pursue a more autonomous political agenda, including greater regional integration, to the point of rejecting the US-proposed 'Free Trade Agreement'.
- (2) Washington's heavy emphasis on military-driven empire-building drained state resources from bolstering its economic empire in Latin America and contributed to the relative decline of the US as the dominant market and source for Latin American exports and imports (except for Mexico). The result was that Asia, Europe, the Middle East, Russia and neighboring Latin American countries became increasingly important trading partners. With the declining importance of US markets, the US lost some of its leverage and influence, especially with regard to political issues. Latin America rejected the US embargo of Cuba and its pressures to isolate Venezuela.
- (3) The boom in commodity prices of primary exports from Latin America increased the region's trade surplus. The size of its foreign reserves reached record levels and eliminated the influence of the US via the IMF in particular, and the international lending agencies in general. With world demand high for energy, metals and agro-exports, Latin America diversified its markets, suppliers and sources of external financing. Paradoxically, while the center-left regimes gained relative autonomy in relation to the US via their agro-mineral exports, they strengthened the position of their primary product exporting elites, which historically have been the most pro-Washington sector of the class system.

In summary, the combination of failed US geo-military commitments, favorable world market conditions and the legacy of mass mobilizations, provided the center-left regimes with a degree of political autonomy from the US—a midpoint between the crass subservience of the 1990s and the rebellious spirit of national liberation of the earlier half of the first decade of 2000.

From Economic Boom to Bust: 2008

The advance of the center-left regimes during the first half of 2008, the continued increase in world agro-mineral prices, the abundance of world liquidity, the growing foreign reserves and the incremental social changes, ended by mid-year. With the onset of the world recession/depression, Latin America's exports, growth and reserves

stagnated. The decline of world trade and the collapse of commodity prices starting in September eroded the high growth expectations of the center-left regimes, particularly of Brazil, Argentina, Venezuela as well as other countries in the region.

The current world capitalist crisis has several features that require analysis in order to understand the political and economic dynamics of US–Latin American relations in 2009–2010.

Unlike in the past, the recession hit the US and Europe first and more severely before it spread to Latin America. In part this was the result of Latin America's most recent crisis (1999–2002), which had destroyed many of the toxic assets in the system and lessened the links to the speculative heartland. Secondly, the commodity boom reduced overseas dollar-denominated public debt, increased foreign reserves and stabilization funds, allowing Latin American regimes to cushion the initial shocks of the world recession, at least from October 2008 to March 2009.

Because Latin America had diversified its markets and because its new Asian markets retained their resiliency for a longer spell, the recession entered Latin America later than in Europe and the US, beginning around November–December 2008 and deepening in February–March 2009. Finally, because Latin America's speculative sector was still weak after the crash of 2000–2001, it was not as integrated with the Anglo-American housing bubble and therefore not as damaged by the bursting of the bubble in 2007–2008.

While recognizing these specificities of the Latin American economies and the differential impact of the world recession on Latin America, the fact of the matter remains that Latin America has been hit and with considerable force by the spread of the world recession throughout 2009 and beyond. The belief, stated by Brazil's President Lula da Silva in 2008, that Brazil can avoid the worst effects of the recession are pure fantasy.

The recession will spread and deepen in Latin America and it will undermine precisely the engines of growth—the primary export sector—and spread throughout the economy. The budget surpluses are temporary stopgaps to finance stimulus packages—but they are totally insufficient to reverse the fall in all export sectors and the drying up of private credit and new local/foreign investment. In fact, the first sign and substance of growing recessionary tendencies is the large outflows of capital by investors anticipating the crisis. The other sign of the deepening recession is the decline of exports (both in quantitative and value terms). The decline in government revenues, especially those derived from export earnings, is eroding public spending. The decline of the twin dynamics of trade and state investment and earnings is precipitating a sharp fall in the services (finance, real estate, commerce and transport) and local consumption and production (manufacturing, automobiles, textiles and so on).

Latin America's growth over the past five years was heavily dependent on public and private debt financing. Over \$150 billion of Brazil's \$600 billion public debt falls due in 2009. With the US borrowing over \$1 trillion this year, it will be impossible for even the most 'neo-liberal' regimes in Latin America to raise the financing in the international market. Large-scale private corporate debt in Latin America, especially

dollar-denominated debt, will cause a serious liquidity problem and large-scale bankruptcies. Even countries with large foreign reserves, such as Chile and Brazil, will see those reserves evaporate as the recession extends beyond 2009–2010. Latin America will need \$250 billion just to pay off maturing debt; these funds are simply not available internally or externally.

That Latin America has entered the global recession later does not mean that it will leave sooner. There are several reasons to assume the opposite. The center-left regimes did little or nothing to deepen the internal market, nor did they diversify their export products. On the contrary, they created a new emphasis on primary products for export in order to take advantage of the temporary high prices of 2003–2008. The center-left retained the privatized, foreign-owned strategic sectors inherited from the previous neo-liberal regimes, severely weakening the economic levers with which it could revitalize the economy. With the banks remaining under private foreign control, loans to the productive sector are restricted. The privately owned industrial sector is not willing to risk new investments especially in the face of the growing recession in the US. The state only intervenes via channeling state loans and investment to the private sectors and depends on their willingness to make the ‘appropriate’ productive employment-generating investments. At best, this is a hit or miss proposition; at worst, it leads to ‘slippage’ or loss of investment funds. Under these conditions the center-left has to re-nationalize in order to invest for recovery, focus on new public projects in infrastructure (with its limited effects on employment), impose capital controls, suspend debt payments and run large-scale fiscal deficits to avoid a depression.

Latin America, contrary to the illusions of some presidents and economists, cannot sustain regional growth or even stabilize capitalism in one region—not in an ocean of depressed advanced capitalist countries.

What Is To Be Expected? What Is To Be Done?

A discussion of immediate and future prospects for revolutionary politics must start with a realistic analysis of the anti-capitalist, socio-political forces, as they exist today, and their potential for growth in the near future.

A realistic assessment of the proximate period begins by taking account of the striking contrast between the extraordinarily favorable ‘objective conditions’ (the prolonged and deepening world capitalist recession/depression) and the weak and uneven development of the ‘subjective’ conditions (organized mass anti-capitalist movements or parties). In other words we are in an unstable period where both capitalism and socialism are weak. The question becomes which side will be able to intervene, reorganize and recompose its forces to take advantage of the other.

This requires an ‘inventory’ of advantages (and disadvantages), reserves and resources of each side in order to evaluate the possible outcome of future conflicts and confrontations in a time of deepening world recession.

Entering the Recession: The Left

The 'left', as it is known in broad terms, includes the Chavez government, the independent rural and urban class social organizations, peasant and Indian movements, and the guerrilla movements of Colombia, militant independent trade unions and nationalist and Marxist political parties throughout the region.

Over the past 20 years the left has suffered several tactical defeats. At times it has been in retreat, and some organizations have declined or disappeared. Nevertheless the left has not suffered any strategic historic defeats—such as the military seizure in Brazil (1964), Bolivia (1971), Uruguay (1972), Chile (1973) and Argentina (1976)—which destroyed the mass organizations, decimated the cadres and leadership and atomized the rank and file. The left has experienced over 20 years of continuity, accumulating experiences, educating its supporters and recreating its organizations, at a minimum to defend the immediate interests of its supporters.

In the case of Venezuela—the pivotal center for the advance of the Latin American left—the left has moved from opposition to government (1999) and has overcome coups, imperialist destabilization campaigns, employers' lockouts and sabotage. The Chavez government has financed a dynamic mixed economy, advanced welfare programs and created a mass socialist party, the Unified Socialist Party of Venezuela (PSUV).

The left movements have demonstrated their capacity to effectively mobilize large masses of supporters on numerous crucial occasions to overthrow pro-imperial electoral client presidents, mobilized to defend left and center-left presidents (Venezuela and Bolivia) and engaged in street demonstrations and organized the unorganized in prolonged street warfare. The latter include the unemployed workers in Argentina (1999–2003), the Brazilian Landless Rural Workers Movement (MST) (1985–2002, with a decline under Lula from 2003–2008) and the Bolivian worker-peasant/Indian urban insurrections (2000, 2003 and 2005).

The trajectory of the mass movements, however, has not always been upward—the bulk of the most successful movement mobilizations took place between 2000 and 2005, followed by a relative decline in the three years predating the current world recession. The left was weakened by the primary commodity boom. The brief but intense capitalist recovery of 2004–2008 (until September) gave rise to both reformist and 'center-left' regimes of Correa, Morales, Kirchner/Fernandez/ Vazquez and Lula, as well as the rightist regimes.

The 'weak side' of the left going into the world recession is the fact of the fragmentation, dispersion and internal conflict among the leftist parties in Latin America, limiting their capacity to compete for state power.

The mass movements and trade unions have been weakened and divided and sectors of their leadership has been co-opted by the center-left regimes. The latter used the movements to neutralize and depoliticize mass mobilizations. As the recession deepens and unemployment rises, center-left control is weakening. Lula co-opted the majority of the trade union leadership of the Confederation of United

Workers (CUT) (its General Secretary became Minister of Labor), weakened the Movement of Rural Landless Workers (MST) through limited financial aid to its co-ops, broken promises, repression, and above all by channeling billions of Brazilian reals toward the agro-business export elite. With the recession, Lula's control will be severely tested. As unemployment grows and agro-exports decline, mass discontent will intensify.

The left movements under the rightwing and center-right regimes of Uribe in Colombia, Garcia in Peru, Bachelet in Chile and those of Central America and the Caribbean, have regained social and, in some cases, political space. The electoral and extra-parliamentary struggles challenge neo-liberal hegemony. Particularly in Colombia and Peru, the interior (provincial capitals, towns and countryside) has produced mass peasant and urban regional movements. These movements have challenged the central state over the distribution of public wealth and the destruction of local habitat and economies by multinational corporations. The collapse of commodity prices and growing unemployment may create dual power situations based on regional power blocs.

In the period immediately preceding the recession (2007–2008), mass mobilizations took place in countries and among classes, which were different from the economic sectors of the earlier decade. For example, militant mass mobilizations in Colombia, Peru and Costa Rica exceeded those in Argentina or even Bolivia in the period 2005–2008. Within Colombia, while the guerrillas were regrouping and in tactical retreat, mass marches of Indians, students and trade unionists took the foreground in the struggle against the murderous Uribe regime.

The major weakness of the social movements is obvious: they have a largely sectoral leadership and base and do not have national structures. Even as they embrace a more general, society-wide program, their leadership lacks independent sources of financial and material resources to provide for a national cadre structure. Above all, they lack a practice and program for taking political power—state power. As they gain influence and mass support, they turn toward or ally with the center-left political leaders who have demonstrated repeatedly that: Out of power they are with the left, but in power with the right.

Alternatives

The end of the commodity boom means there will be a rise in unemployment among miners, petroleum workers and the agricultural proletariat concentrated in homogeneous communities, with their traditions of class struggle, organizations and 'consciousness'. Isolated, localized protests are inevitable and, in fact, are already occurring by the end of 2008. The sharp fall in the exports and domestic consumer market will provoke an increase in unemployment among industrial workers, especially in the automobile and related manufacturing industries, opening the door for a renewal of the organization of unemployed workers for direct action. The decline of state revenues, dependent on taxes from agro-mineral exports, will result in

the firing of state employees and the freezing of new hires. This means that tens of thousands of young graduates of universities, teachers colleges, preparatory, technical and secretarial schools will be out of work, creating a potential vast army of young people with no future and available for organization and action.

The recession/depression (general crisis) will discourage international migration and will cause a return of migrants. There will be a huge loss of remittances from overseas relatives and workers, intensifying local hardships, tensions and the necessity to struggle at home. The 'world' nature of the recession eliminates out-migration as the escape valve of the past several decades. The sectors of the population, who in the past emigrated, are of the same age and ambition as those who stay and organize class organization. Blocked from overseas emigration, these young workers are likely recruits to reinforce and radicalize the movement of the under and unemployed.

There is no question that the pressures from below will intensify. But in the absence of concrete organizations of struggle rooted among the young, in the neighborhoods, among the vocational students in the major plazas, and in the streets 'employed' as 'informal workers', the anger and discontent can take many apolitical or even reactionary forms. Crime will increase astronomically, especially contraband, drugs, prostitution, assaults and kidnapping. New recruits for rightwing paramilitary and 'security agencies' can be found among the chronically unemployed or those on the edge of subsistence. Millenarian cults, charlatans and spiritualists can mystify the least political and those socially isolated in household economies.

In other words, the same objective circumstances of economic desperation, the same subjective frustration can lead to divergent social and political/apolitical responses. The emergence of anti-capitalist consciousness is contingent on the active presence and close links of socialist organization to everyday struggles.

Perspectives on Latin American Relations to the US Empire

US foreign policy, especially everyday decisions are made by the permanent officials of the state (Pentagon, State Department, CIA and Treasury). Permanent staff members make over 90 per cent of the foreign policy decisions. They form the vast majority of functionaries engaged in collecting information, preparing policy papers and designing options. This means that there is great continuity in policies, methods of operation, strategy, alliances and, above all, interests to be pursued and adversaries to be attacked.

The continuities in US policy toward Latin America are exclusively defined by the need to defend its political, economic and military empire (and if possible extend its reach), defeat and destroy its enemies and out-compete its imperial rivals. Defense and expansion of the empire involves (1) retaining economic dominant positions, (2) maximizing economic linkages, profits, interest, royalties and capital transfers, and (3) maintaining control over strategic economic sectors and trading partners. Military supremacy is pursued by establishing military treaties, bases and joint military maneuvers with local military commanders. Political supremacy is achieved

by securing political officeholders willing to extend or consolidate US economic and military power.

The key to the success of US 'neo-colonial' empire building is the recruitment and control over collaborator/client regimes. They perform all the 'colonial state functions', facilitating economic exploitation, putting down resistance and providing military force for imperial interventions. Without collaborator regimes and their ruling class supporters, Washington's imperial power is severely diminished, its regional influence over economic policy declines and the US must either resort to costly and risky direct military intervention or play a marginal role.

US–Latin American relations are profoundly influenced by political-economic-military contingencies such as war and peace, economic booms and recessions, economic crises, revolutions, uprisings and reactionary coups. An understanding of US–Latin American relations today is dependent on understanding both the structure (imperial) and the contemporary contingencies (world recession/multiple wars).

The economic boom in Latin America between 2003–2008 was led by Latin American exports, which increased its revenues and reserves and, most importantly, lessened its dependency on US- and European-controlled international financial agencies such as the IMF. Greater domestic financial resources and greater diversification of trading partners provided the basis for greater political flexibility and created a more 'nationalist' foreign policy. In some cases, such as that of Venezuela, the economic boom strengthened overt opposition to US imperial institutions, policies and interests.

US imperialism's prolonged and costly military efforts at empire-building, beginning in 2001 and continuing to the present, further weakened US imperial relations in Latin America. Most political-military resources were concentrated in the Middle East, especially Iraq and Afghanistan, which lessened US pressure on Latin America. Prolonged wars weakened domestic political support for new military interventions in Latin America. The hundreds of billions of dollars spent on militarily driven empire-building in the Middle East diverted funds from investments directed toward enlarging and consolidating the empire in Latin America.

The simultaneous abrupt overthrow of the collaborator regimes of the 1990s occurred when Washington was not in a position to engage in a reactionary restoration. At best it backed the emergent center-left as the lesser evil to any more radical socialist alternatives that might emerge. The combined weight of the loss of collaborator regimes, the growth of social movements, center-left victories, imperial wars and economic boom set in motion a process of realignment in US–Latin American relations. The result was a wide spectrum of relations.

The spectrum of relations runs from independent (Venezuela), autonomous competitive capitalist (Brazil), autonomous and critical (Bolivia) to selective collaborator (Chile) to the deep collaborators (Mexico, Peru and Colombia).

Venezuela constructed its leadership of the alternative nationalist pole in Latin America in reaction to US intervention. Chavez sustained its independent position through nationalist social welfare measures, which expanded mass support.

Venezuelan independence was financed by the commodity boom and the jump in oil prices. The ‘dialectic’ of the US–Venezuelan conflict evolved in the context of US economic weakness and over-extended warfare in the Middle East on the one hand and economic prosperity in Venezuela, which allowed it to gain regional and even international allies.

The US suffered major losses. Washington’s proposed Latin America Free Trade Agreement was defeated. Its efforts to finance the overthrow of Chavez were defeated. The State Department’s policy of isolating Venezuela was a failure. Regions and countries historically under imperial domination, such as Central America and the Caribbean, joined Venezuela’s ‘Petrocaribe’ organization receiving subsidized oil as part of new trade and aid agreements. Venezuela initiated a new regional integration organization, the Bolivarian Alliance of Latin America (ALBA), with plans for large-scale joint ventures.

The autonomous-competitive tendency in Latin America was embodied in Brazil. Aided by the huge agro-mineral export boom, Brazil projected itself on the world trade and investment scene, while deepening its economic expansion among its smaller and weaker neighbors, like Paraguay, Bolivia, Uruguay and Ecuador. Brazil, like the other BRIC countries,⁵ which includes Russia, India and China, forms part of newly emerging expansionist powers intent on competing and sharing with the US control of the resources and land of the smaller countries in Latin America. Brazil under Lula shares Washington’s economic imperial vision (backed by its armed forces) at the same time as it competes with the US for supremacy. Brazil seeks extra-regional imperial allies in Europe (mainly France) and it uses regional forums and bilateral agreements with the nationalist regimes to balance its powerful economic links with Euro-US financial and multi-national capital.

At the opposite end of the spectrum are the ‘imperial collaborator’ regimes of Colombia, Mexico and Peru, which remain steadfast in their pro-imperial loyalties. They are Washington’s reliable enemies against the nationalist Chavez government and staunch backers of bilateral free trade agreements with the US. The rest of the countries in the region, including Chile and Argentina, oscillate and improvise their policies between these three blocs.

What should be absolutely clear, however, is that all the countries, from radical nationalist to imperial collaborators, operate within a capitalist economy and class system, in which market relations and the capitalist classes are still central players.

The Capitalist Crisis of 2009: Its Impact on US–Latin American Relations

The election of President Barack Obama will have no change on the structure of the US empire, its political-military apparatus and especially its economic interests. What will probably change are the resources and capacities in pursuit of imperial policies

⁵ BRIC refers to newly emerging economic powers: Brazil, Russia, India, China.

given the depth of the US recession and the escalation of US wars in the Middle East, Afghanistan and elsewhere.

US policy on Latin America will be made by a militarist cabinet, intent on pursuing a global strategy of military driven empire-building. The key foreign policy positions in the Obama regime are occupied by notorious and well-known militarists: the National Security Adviser, the head of the CIA, the Defense Department, the Secretary of State, the US Ambassador to the United Nations, who have been closely identified with the militarist empire-building policies of the Bush and Clinton regimes.

Nevertheless unlike Bush and Clinton, Obama's regime comes to power under severe material limitations. First, the US is relatively isolated in terms of 'collaborator regimes', unlike Clinton, who ruled during the 'Era of 20 Clients', and unlike Bush, who, for a brief period after 9/11, was able to mobilize Latin American presidents (except Venezuela's Chavez) behind the 'War on Terror'. Secondly, Obama comes to power after five years of rapid growth in Latin America, a time of relative autonomy in which an alternative anti-imperialist pole, led by President Chavez, has been established. Thirdly, Obama faces a severe domestic recession while promising an escalation of the war in Afghanistan and more military confrontations in the Middle East (Iraq, Palestine, Lebanon and, especially Iran). The fourth point is that Obama is facing protectionist pressure as the economic crisis deepens, weakening any attempt to revive 'free trade' agreements. Moreover, US capital is in flight out of Latin America. In contrast, the pressure of more plant closures is forcing Latin American governments to intervene and 'nationalize' bankrupt firms. Even bilateral free trade agreements will be of minor significance if the US Congress refuses to approve the pact with Colombia. The North American Free Trade Agreement (NAFTA) between the US and Mexico has led to US subsidized food imports flooding into Mexico, while the Mexican-based manufacture of car parts sold in the US is leading to calls on both sides of the border for its modification.

The 'reactionary anchor' of Obama's imperial policy for Latin America will be Plan Colombia to counter Venezuelan influence. Free trade agreements with Chile and Peru in the Andean region will be used to counter Bolivia. New diplomatic initiatives with Brazil will include the likely recognition of the Lula regime as a regional imperial power.

Overall, Latin America represents a fifth level priority in the Obama imperial agenda. The first priority is to reconstruct the deteriorating domestic foundations of empire; the second is to launch a new imperial offensive in South Asia and the Middle East. The third level of priorities is to attempt to coordinate economic and military policies with Europe and Japan to counter the world recession and secure collective imperial-military interventions. The fourth is to negotiate with China over the severe trade imbalances and debt financing.

In the end, Latin America will receive residual attention and resources. Whatever funding, military intelligence and diplomatic personnel are left over from Washington's higher priority areas will be assigned to Latin America. Having noted the limitations of the US empire and Latin America's low priority, nevertheless, relative to

its power potential in Latin America, Washington still has formidable instruments and assets of power. First and foremost, Obama has a formidable array of strongly entrenched political allies at the pinnacle of the class structure throughout Latin America. They include private bankers, industrialists, agro-mineral exporters and multi-national executives who dominate the economies, influence most governments (even the center-left) and control numerous major regions and cities (Guayaquil, Buenos Aires, Sao Paolo, Caracas and Santa Cruz in Bolivia).

Washington, given its own limitations, will operate through local clients/allies in the economic system to undermine adversaries and finance political assets. While the US is militarily over-extended in its empire, it has assets in the Latin American military, which it can move under propitious circumstances. The key strategy in this period will be to operate through clandestine and legal civilian structures. The US will rely on NGOs, electoral parties, 'civic movements' and right-wing 'trade unions' to undermine nationalist parties, regimes and popular movements. Washington will, by necessity, make major diplomatic overtures to Brazil, especially toward Lula. To be successful, Washington will be obligated to recognize Brazil's emerging imperial/regional ambitions.

Recession/depression and military spending undermines any large-scale US 'economic offensive' toward Latin America in the form of investments and loans. The US will have to rely on much weaker political and diplomatic inducements or joint political-civic-military intervention, which will occur under the most constraining economic circumstances.

The Latin American left has unusual political advantages: The over-extension of the US outside of Latin America weakens the strength of its ruling class allies in Latin America. The defeat of its clients in the earlier half of the decade and the 'relative distancing' of the center-left has legitimated anti-US/anti-imperialist politics. The spread of the world recession/depression to Latin America will erode support for the capitalist system among the better-paid private workers and the lower middle class, trade unions and public employees. The demise of the free market ideology will weaken the 'hard right', at least temporarily, before it regroups as a more eclectic and repressive 'state capitalist right'.

The new reality facing the left requires that it sharpen its focus:

- (1) On the central role that the domestic ruling class plays in sustaining imperial edifice.
- (2) The diversification of imperial substitutes for the US, especially among the old and new economic empires of Europe and Asia (the Lula-Sarkozy Pact is one example).
- (3) The rise of Brazil as an emerging regional imperial empire (with overseas ambitions) and how it influences the national and class struggles. In Paraguay, Bolivia, Ecuador and Uruguay nationalist struggles pass through a confrontation with Brazil over unequal and exploitative gas, oil and hydropower treaties and the colonial exploitation of vast tracts of land and resources.

- (4) The unification of previously fragmented economic demands and their formulation into a socialist political program in the face of a system-wide economic crisis and class-wide unemployment.

The strategic strength of the US (and Brazilian) imperialists is not found in their own resources but in the fragmented organizations, dispersed actions and ideological cacophonies of the left political formations, competing social movements and spontaneous mass mobilizations.

There is no easy answer or readily available, easily discernible political leadership' on the current horizon, even as the dark clouds of recession/depression obliterate the hopes of sustaining the capitalist expansion of 2005–2008. Venezuela under President Hugo Chavez offers some political direction. His program points toward social mobilization and the nationalization of privatized strategic enterprises. But the economic crisis will hit Venezuela hard. Venezuela has tied its fortunes to weak countries, like Cuba and Nicaragua and with center-left regimes, like Brazil and Bolivia, who themselves are part of the obstacles to developing a socialist alternative to recession-prone crises of capitalism.

The strategic advances of the left in Latin America are found in its heritage of recent class victories over neo-liberalism, the relative weakness of the US empire and, above all, the deepening world recession.

The current gap between favorable objective economic conditions and the under-development of (subjective) revolutionary socialist consciousness is probably a temporary phenomenon. The 'lag' can be overcome by the direct intervention of conscious socialist political formations deeply inserted in everyday struggles capable of linking economic conditions to political action.