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NEOLIBERALISM AND DEMOCRACY

Introduction

The process of democratization that has swept the developing world since the mid1970s has generated and attracted a great deal of interest among social scientists, including economists, political scientists, and sociologists, in particular. What is termed a "Third Wave" of democracy emerged –especially in Latin America, and parts of Asia and Africa– as an unexpected force bringing with it changes that have proven to be extremely resilient at a time when a host of forces have challenged both the theory and practice of democracy.[1]

Faced with significant challenges in the economic arena, particularly with the task of global economic integration, constitutional democracies have –by and large, and against great odds– remained afloat. Analysts exhibiting various political stripes have taken turns trying to explain the spread of democracy, studying its theoretical and practical implications, as well as forecasting its future. A particularly interesting aspect of the current round of democratizations is the simultaneous introduction of far-reaching economic reforms.

Relationships between democratization and the implementation of "neoliberal" policies remain an unresolved issue of great theoretical and practical relevance and importance. Some analysts, such as the noted economist Milton Friedman (1962), goes so far as to purport as self evident that capitalism serves as a necessary precondition for the establishment of democratic governments.

Other thinkers, such as Atilio Boron (1996) and Nora Hamilton (1997) argue that the social effects of economic liberalization associated with pro-capitalist policies represent a threat to the consolidation of democracy. Most analysts recognize the need to temper the power accumulated in the state and its bureaucracy; particularly in the context of Latin America, where corporatist structures of governance often collude with corrupt elites to work against democratic processes. However, the bias of neoliberal policies in favor of market mechanisms of production and distribution leave vast sectors of population without an opportunity to participate in decisions that one would expect to be resolved within the sphere of

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democratic politics. The reduction in the size and scope of state functions and other non-market arenas of civic participation along neoliberal lines threatens to further exclude sectors of the poor and middle classes from having influence over the directions that their societies take.

In this paper I shall offer a careful examination of neoliberalism and its curious relationship with democracy. The first part of this paper introduces neoliberalism and attempts to define it as a phenomenon with historical roots, and political associations. The second part enters into a critique of neoliberalism from both a theoretical, as well as a practical point of view, namely, neoliberalism's policy failures. Neoliberalism and its tenuous relationship with democracy are addressed at numerous points in both the first and second sections of this paper. A conclusion attempts to reconcile the various problems raised in the first and second sections.

The Origins of Neoliberal Political Theory

The term "neoliberalism" has been loosely defined as an economic doctrine that favors market liberalization[1]. It is generally associated with policies such as privatization, deregulation, unfettered international trade, and the free flow of capital through a globalization of financial markets, as well as an ever broadening geographic dispersion of production.

In essence, neoliberalism constitutes a strategy for accelerated capital accumulation in countries adopting its policies, as well as for the world itself. Because of its powerful implications, the economic dimension of neoliberalism has received serious scrutiny. Neoliberalism's political dimension, however, has remained largely neglected. Here I stress the political dimension of neoliberalism because an accelerated rate of capital accumulation requires the support of appropriate political conditions.

Neoliberalism emerged in the period of the 1970s and early 1980s as a protracted effort to undermine and replace Keynesianism as an economic doctrine and the Keynesian State as its political institution. In critiques of Keynesianism, and in the political roots of the Keynesian crisis, we find information leading to the political theory behind neoliberalism.

Between the end of World War II and until the end of the 1970s, Keynesian ideas enjoyed preeminence over alternative economic doctrines. In capitalist nations Keynesianism clearly dominated economic policy-making. The Keynesian State solidly incorporated ideas of class harmonization into an institutional setting that ruled over more than 30 years of an economic expansion in a seemingly peaceful social landscape, in an epoch referred to nostalgically as the "golden era of capitalism."

[1] Arestis and Sawyer (2004, p. 1) define neoliberalism as "the doctrine that economic policy should take the form of 'leave it to the market' and for government to retreat from intervention in markets."

In this era, antagonism of working class organizations towards capitalism in general, and corporate management, in particular, had been subdued by policies that encouraged the distribution of the benefits of productivity growth. Its dominance notwithstanding, Keynesianism faced severe criticism. Milton Friedman is probably the best known author who attacked Keynesian ideas at the height of their hegemony, primarily on the basis of the role of the Keynesian State in threatening economic freedom. The ideas of Friedman, as expressed in *Capitalism and Freedom* (1962) are particularly relevant to the study of the political theory of neoliberalism. Friedman's brainchild, late 20th century "monetarism," emerged and was posed as an attractive alternative to Keynesianism, and would have a lasting influence in the conception of neoliberal policies.

Friedman as Critic

According to Friedman the market is based on voluntary transactions. People freely choose to enter into a particular transaction if it is deemed beneficial. Friedman (1962, p. 15) considers the market as a system of proportional representation. Each man can vote, as it were, for the color of tie he wants and get it; he does not have to see what color the majority wants and then, if he is in the minority, submit.

In Friedman's view, market relations are truly democratic because each dollar counts exactly for and as one dollar. Transactions are voluntary, which means that no one can force another to spend a dollar. Nor does skin color or religion of the person holding the dollar matter when spending their dollar.

Friedman's conception democracy is based on the notion that people cast their vote through their demand for products. In contrast, the state is suggested to perform its functions through coercion. Even if all state decisions could be subjected to consultation, save for strange cases of absolute unanimity, there would always be a minority that would have to accept the majority decision. Friedman (1962: p.15) warns us that "the fundamental threat to freedom is power to coerce." The coercive power of the state therefore stands in direct opposition to the freedom characterized by individuals engaged in market exchanges.

Friedman (1962, p. 15) claims that in order to protect people's freedom from the state, market forces must be used to check the role of the state and its politics in society:

The preservation of freedom requires the elimination of such concentrations of power to the fullest possible extent and the dispersal and distribution of whatever power cannot be eliminated a system of check and balances.

Friedman recognizes the existence of areas for legitimate state interventions; nevertheless, he suggests these remain at a minimum in order that people avoid loss of freedom implicit in political decisions. Friedman (1962, p. 15) elaborates:

What the market does is to reduce greatly the range of issues that must be decided through political means, and thereby minimize the extent to which government need participate directly in the game.

In Friedman's view, when the state expands the realm of politics, overstepping its boundaries into the economic arena, the forces of the market must be called into action to prevent a decrease in freedom. Friedman (1962:15) adds:

By removing the organization of economic activity from the control of political authority, the market eliminates this source of coercive power. It enables economic strength to be a check to political power rather than a reinforcement.

In sum, Friedman purports that freedom takes place in the economic sphere, where markets – if allowed to function unimpeded by political forces – not only produce efficient outcomes, but also prevent the excessive concentration of power in the hands of a state or even other power hungry individuals and groups.

In the 1970s soaring oil prices, rising inflation and growing unemployment presented serious challenges to the Keynesian system. Conservative scholars analyzing the political dimensions of the Keynesian State confirmed Friedman's concerns over state intervention in the economy, arriving at similar recommenddations. Whereas Friedman provided the framework of neoliberal political theory, analysts of the "crisis of democracy" criticized aspects of the Keynesian State that they found particularly intolerable.

Excess of democracy

The monograph, "The Crisis of Democracy: Report on the Governability of Democracy to the Trilateral Commission" (1975), authored by Michael Crozier, Samuel Huntington, and Jaji Watanuki is particularly informative. In their report, Crozier et al. (1975, p. 8) argue that democracy, particularly when coupled with Keynesian economic policies, contains the seeds of self-destruction and ungovernability through the erosion of traditional tools of social control, undermining the legitimacy of diverse forms of authority and enabling the overload of social demands on government. The expansion of the public sector and unions were (Crozier et al., 1975, p. 103) identified as key variables contributing to economic crisis and political turmoil. However, it was not only the enlargement of state activities that were suggested to present a problem; the excessive responsiveness of the state to democratic pressures was also noted. The report finds the ability of diverse social groups to press their demands on the state as a primary threat to capital accumulation. Crozier et al. (1975, p. 61) argue:

The expansion of participation in society was reflected in the markedly higher levels of self-consciousness on the part of blacks, Indians, Chicanos, white ethnic groups, students and women — all of whom became mobilized and organized in new ways to achieve what they considered to be *their appropriate share of the action and of the rewards* [italics express my emphasis].

According to the report an "excess of democracy" –and not exclusively state intervention– is to be considered undesirable. Nevertheless, Keynesianism (1975, p. 113) was deemed guilty by association, as this policy approach provides a forum for identity groups to vie for their perceived fair share of the macroeconomic pie. The report (1975, p. 161) concludes that social mobilization created an 'overload' on

government and the imbalanced expansion of governmental activities, [making it] difficult if not impossible for democratic governments to curtail spending, increase taxes, and control prices and wages.

Friedman's political theory clearly had an influence in the analysis of the "crisis of democracy." The problem of Keynesianism was identified in the expansion of political decisions into the economic realm. The assumption of excessive responsibilities had rendered the Keynesian State unable to contain social demands, becoming ineffectual as a regulator of capital accumulation. Colin Crouch (1979, p. 16) expresses this idea thus:

Keynesian economic policy threw most economic variables open to political manipulation —democratic demands being checked by no equivalent responsibility on those making them to respect the laws of economic scarcity.

Critics asserted that severe distortions would take place in the economy, and these would continue to worsen, as long as the state remained open to democratic pressures for the redistribution of income. A rearrangement more conducive to capital accumulation required not only the eviction of Keynesianism from the higher echelons of policy-making, but also the isolation of decision-makers from popular demands that take place in the political arena. A renewal of accumulation called for a removal of policy-decisions from the scope of politics, in general, and from democratic politics, in particular. What could be termed "free-market" solutions were to be implemented where politics had reigned. In the few areas where market mechanisms were inadequate, resulting in market failures, policy-making had to be insulated from democratic pressures, and to the degree possible, translated into technical rules of thumb.

De politicizing policy

Friedman's (1962) proposal to strip the Federal Reserve of all discretionary control over the money supply replacing it with technical rules applied by professional economists is an extreme example of the anti-Keynesian critique. Although monetary policy did not achieve this strictly rule-based approach, the efforts to de politicize monetary policy was perceived as a worthy goal. Crouch (1979, p. 16) notes: "Rigid control of the money supply and the insulation of central banks from democratic influence seen as new barriers that will limit the ability of popular demands to sway public policy." The arrival of Paul Volcker to the chairmanship of the Federal Reserve in 1979 unequivocally marked the inauguration of monetarist policy-making in the US, and with it a definite turn towards neoliberal policy-making. Volcker's close relationship to the Department of Treasury would expand such a policy approach to the institutional legacy of Bretton Woods; that is the International Monetary Fund and the World Bank Group.

Similar designs arose to radically de politicize fiscal policy. Where many voices had called for an end to Keynesian counter-cyclical spending, James Buchanan and Richard Wagner (1977) proposed the more drastic measure of a balanced-budget amendment to the U.S. constitution. This amendment would completely strip political forces from any control over what had been an important tool of Keynesian economic policy-making, thereby imposing market discipline and constraint on democratically elected representatives to government.

Despite significant support for the measure in powerful conservative circles, the amendment was never brought to a vote. However, the rise of Ronald Reagan to the U.S. presidency in 1981 brought a particular version of fiscal conservatism to power, initially reducing social expenditures as a share of total expenditures, and eventually undermining the ability of Congress and the Presidency to run budget deficits.[2]

At the same time, economists were hard at work developing models to demonstrate the detrimental impact on efficiency of competition between interest groups. Anne Krueger (1974) and Jaghdish Bhagwatti (1982) proposed "rent-seeking" behavior and "directly unproductive profit-seeking" activities as new categories for economic analysis. The body of work that spun around these concepts has come to be known as "neoclassical political economy" (NPE).[3] Within this tradition the state is portrayed as a potential puppet of special interests, strengthening the skeptical vision of the state and politics promulgated years earlier by Friedman.

The NPE views the market as a public good subject to free rider problems. Whereas neoliberal reforms are suggested to benefit all members of society, some groups resist free-market relations because state intervention provides them protection from adverse market forces. The state, through intervention, politicizes economic activities, opening opportunities for corruption and graft that result in productive and allocative inefficiencies. NPE was rapidly applied to developing nations, and played a significant role in the shift towards neoliberal reforms in a host of countries.[4] This approach provides a scathing critique of traditional Development Economics that called for the dismantling of the interventionist state in developing nations, with a return to market incentives.[5] As a result, neoliberalism came to replace traditional Development Economics as the source of inspiration for policy-makers around the world.

A Critique of Neoliberal Political Theory

Neoliberal political theory views the state as a coercive entity prone to corruption, susceptible to the manipulation of special interests and ultimately an inefficient institution. In contrast, the so called "free market" is presented as conducive to impartial results that are efficient. Furthermore we are told that

[2] The ballooning federal government debt that resulted from the expansion of military expenditures during the early Reagan years created enormous public pressure on Congress and the President to reduce expenditures.

[3] See Colander (1984).

[4] See Krueger (1997).

[5] See Lal (1983).

neoliberalism promotes the expansion of market activity – and the subsequent curtailment of politics – for the expressed purpose of resolving social questions. This is done not only for the sake of efficiency, but also in the interest of freedom and democracy. In order to evaluate the merits of neoliberal political theory we must critically reconsider the conceptualization of politics, freedom, and democracy presented by the neoliberal model.

Neoliberalism views the insertion of the state in economic affairs as legitimate in but a few circumstances; mostly limited to the production of public goods. In contrast, in most circumstances, political power, in the hands of the state or individuals alike, is seen as a threat to individual freedom.

The market is thought to embody freedom because its transactions are considered voluntary and decentralized. Political power represents a threat to the market, not because it tends to be concentrated in the hands of the state, but because it is able to exert pressure for a non-market allocation of resources, even when dispersed among a large number of people and organizations such as unions, student movements, ethnic movements, etc. The neoliberal distaste for any system of government, democratic or not, that may lead to the redistribution of wealth independent of market forces, hinges on the primacy of private property for the accumulation of capital. To prevent infringements on freedom, the state and any other entity holding political power must be balanced by the power of the market. After all, to the neoliberals the market itself is the embodiment of democracy, for each dollar counts as a vote. In order to prevent a dangerous accumulation of political power, which is viewed as coercive in nature, the sphere of politics must be checked by the dispersed and voluntary power of markets.

Practical Shortcomings of Neoliberal Politics

Several problems can be immediately identified with the neoliberal view of politics. A system of checks and balances between government bodies is a well-known characteristic of liberal democracies, but the balance is to take place between political entities, directly or indirectly responsible to a citizenry. Neoliberalism demands markets to limit the scope of politics, while liberal democracy calls for the prevention of excessive concentration of political power, not the curtailment of politics itself. Although the two concepts of "balance of power" are not contradictory, the neoliberal conceptualization clearly differs from the liberal version.

In pushing for the reduction of politics and expansion of markets, neoliberalism promotes economic – at the expense of political – forms of participation and representation. For neoliberalism, democracy becomes the opportunity granted by the purchasing power of money to choose the color of a car, or the flavor of ice cream. An *apriori* requirement for this form of participation is the ability to engage in market transactions by holding sufficient cash to enter in exchange. But it is precisely here that the neoliberal claim to the democratic nature of the market breaks down.

The equality of dollars in the market cannot be equated with the political equality of all citizens, an essential concept for the formulation of liberal democracy. Large differences in wealth, a feature not only common to market dominated societies, but often reinforced by their expansion, implies that some people are able to participate, and therefore influence economic outcomes much more than others. But this is hardly a feature of democracy and freedom. The neoliberal version of democracy therefore benefits individuals and groups who are able to amass wealth as a means to participate in markets, undermining the position of individuals who posses little more than their individual political power as represented by their political rights. The more that politics withdraw from the center of societal decision-making, the greater the disempowerment of those devoid of market power. When a democratic state, largely formed by political bodies elected by a population on the "one person, one vote" dictum, cedes power to the market, where priority is given to private property, the result is an increase in the gap separating the economic elite from the bulk of the polity. Friedman's claim that the market is democratic is not only revealed as a farce, but it turns out to be a veil hiding the oligarchic, or more precisely plutocratic, nature of neoliberalism.[6]

Neoliberal democracy: An oxymoron?

The question remains open as to what sort of government is preferred by neoliberalism. Robert Barro (1996, p. 2) is quite explicit about his preferences. He warns that democracy exhibits a "tendency of majority voting to support social programs that redistribute income from rich to poor." On the other hand, Barro (1996, p. 2) also claims that "authoritarian regimes may partially avoid these drawbacks of democracy. Nothing in principle prevents nondemocratic governments from maintaining economic freedoms and private property." Neoliberal economists find no objection in authoritarian governments as long as markets and their prerogatives are granted full protection. The coercive powers of authoritarian states may even be essential for the curtailment of popular demands and the imposition of draconian pro-market policies as was the case of Chile under the rule of General Augusto Pinochet (1973-1989). Although it would be an exaggeration to claim that Barro represents views common to all neoliberal analysts and policy-makers, it appears that neoliberalism would be comfortable with an authoritarian regime, so long as market freedoms are respected. The direct involvement of leading neoliberal economists in the early implementation of neoliberal policies by authoritarian regimes in the Southern Cone support this perception.[7]

[6] For an interesting and relevant critique of Friedman's conceptualization of freedom see Boron (1995), chapter 2. What Friedman presents as voluntary entrance into market transactions is proven to be the result of the cruel destitution of entire populations of the means of subsistence, originally discussed as "primitive accumulation" by Marx (1976) in *Capital*.

[7] The reader should be reminded that economic prescriptions developed by Friedman and others at the University of Chicago were first tested in Chile, Argentina and Uruguay under the

Barro's only caveat with authoritarianism is that no formula exists to prevent dictators from encroaching into market freedoms, leaving the doors open to a return of the state to a position of economic dominance. Although democracy poses a potential threat to market freedoms through demands for non-market allocation of resources, it remains desirable if these tendencies can be controlled by placing strict limits on the role of politics in society.

In an econometric study of the relationship between political freedom and economic growth Barro (1996, p. 6) finds: "some indication of a nonlinear relation in which more democracy raises growth when political freedoms are weak but depresses growth when a moderate amount of freedom has already been attained." Barro (1996, p. 6) claims that the level of political freedom existent in Mexico and Taiwan in 1994 is optimal for capital accumulation because "further expansions of democracy create great pressure for social programs that redistribute wealth. These programs dilute incentives for investment and work effort and are therefore adverse for growth." Barro's message is remarkably clear. Democracy must be contained in order to favor capital accumulation. He suggests that there exist scientific limits to the degree of democracy that must be allowed if economic growth and capital accumulation is to take place. Echoing the findings of Crozier et al. (1975), Barro (1996) finds an "excess of democracy" counterproductive.

In order to foster capital accumulation, neoliberalism establishes boundaries within which democracy must operate; giving rise to what I shall define as "neoliberal democracy." In countries where democracy has not been consolidated social pressures to take democracy beyond the limits set by the needs of capital could lead to derailment of democratic governments and a return to authoritarian rule.[8]

A new question necessarily opens up. What degree of political freedom is to be found along side neoliberal democracy? The limits seem determined primarily by what neoliberalism considers the needs of capital accumulation. That is, economic policy-making must be kept out of reach of popular pressures, by legislation whenever possible, or through the creation of artificial barriers otherwise.

tutelage of some of the most brutal and repressive regimes of the histories of these nations. Pinochet's regime in Chile (1973-1989) was responsible for at least 3,000 extra judicial killings and thousands of political prisoners and exiles. The military Junta in Argentina (1976-1983) was responsible for the "disappearance" of somewhere between 10,000 and 30,000 people, plus scores of tortured and exiled citizens.

[8] Since 1999, political instability in Latin America has been on the rise, largely as populations react to some of the most egregious abuses of neoliberalism. Ecuador and Bolivia have proven particularly vulnerable to popular revolts, often led by political groups with the support of indigenous people. Argentina saw the implosion of Fernando De la Rua's Presidency due to his lack of responsiveness to the dire economic condition faced not only by the poor, but more significantly by an impoverished middle class. The region has not seen a return of authoritarian governments. However, in some countries the military remains a political force and has played a role regime changes as exemplified by the case of Ecuador, or the 2002 *coup d'etat* against Hugo Chávez in Venezuela.

Legislation may guarantee an independent Central Bank, strict observance of an exchange rate policy, the reduction of union power, the sacrosanctity of private property, a balanced budget, etc. Other barriers to popular participation may involve a reduction in the access provided to the representatives of popular groups to the higher echelons of policy-making, the placement of indirect forms of representative selection –such as electoral colleges or single-member districts– the criminalization and harassment of social movements, etc. Policy-making lies outside of politics; in the hands of a cadre of professionals, who convinced the superiority of their knowledge acquired by technical training are, as John Markoff (1996, p. 119) notes "open to violating the will of electorates or disagreeing with bureaucratic superiors." In order to keep legal and artificial barriers in place, neoliberal governments may recur to further reductions in political freedoms: such as the imposition of rules by presidential decree, or the curtailment of freedoms of speech, press and assembly. The degree of democracy and political freedom then becomes a function of the needs of markets.[9] Where pressures for redistribution are high – representing a threat to neoliberal principles of private property, market supremacy and capital accumulation– political freedoms will necessarily be curtailed to prevent democratic impulses from launching at the throat of the neoliberal political order.

Neoliberal democracy exhibits a primary concern with the protection of economic freedoms, and a marked distaste for open political participation. How do these features compare to liberal democracy? An essential characteristic in common is the significance of private property as a basic right of individuals, and the freedoms associated with this right. The entire rational of neoliberalism, both as economic and political doctrine, evolves around this principle. However, liberal democracy requires other elements of individual liberty and rule of law – that at times – run counter to the objectives of neoliberalism. In the push to free society from the coercive powers of politics, neoliberalism does not hesitate in stepping over individual rights, particularly an individual's political rights.

Given that the driving force behind neoliberalism is the reestablishment of capital accumulation on sound grounds, and not the establishment of a regime characterized by the rule of law and political freedoms, it should not come as a surprise that neoliberal democracies often fail the test of liberal democracy. Regardless of an ostensible contradiction in terms, Fareed Zakaria's concept of "illiberal" democracy applies well to several regimes that should be considered

[9] Two recent elections illustrate this point. The May 2004 victory of the Indian National Congress in Parliamentary elections would normally have resulted in its leader, Sonia Ghandi, taking the position of Prime Minister. However, scarcely four days after the results were announced, the Mumbai exchange had the single largest drop in its history. Market jitters convinced Ghandi to step aside and appoint Manmohan Singh, an ex-Finance Minister and author of India's liberalization, as Prime Minister (The Economist, 2004). In Brazil, Luiz Inacio Lula da Silva's lead in the presidential campaign of 2002 resulted in a weak Real and increased risk premium on the nation's debt despite efforts to present himself as a centrist (The Economist, 2002). Once in office, Lula retained the neoliberal model including fiscal and monetary austerity in order to avert a stampede of investors that would have left his administration in tatters.

neoliberal democracies. Zakaria (1997, p. 22) makes use of several regimes with outstanding neoliberal credentials: such as Menem's Argentina and Fujimori's Peru as examples of "illiberal" democracies, defined as regimes that "routinely ignor[e] constitutional limits on their power and depriv[e] their citizens of basic rights and freedoms." Zakaria (1997, p. 33) argues that rulers of neoliberal democracies often justify methods more closely associated with authoritarianism than democracy on the grounds "that they are desperately needed to enact tough economic reforms." Does this mean that "illiberal" democracy is equivalent to neoliberal democracy? Zakaria (1997, p. 34) would answer negatively, for he remains convinced that successful economic reforms require constitutional liberalism to "protect individual rights and create a framework of law and administration." Zakaria fails to recognize that although neoliberal democracy requires the protection of particular individual rights, primarily private property and other economic freedoms – other rights are often trampled in order to increase the possibilities of success in economic reforms.

Barro (1996, p. 7) contributes to the formulation of an alternative view. He suggests that "[c]ountries with higher standards of living tend to approach higher levels of democracy over time." Consequently, different degrees of democracy may be adequate for different levels of economic development in order to further the process of accumulation and foster economic growth. Barro (1996, p. 11) adds:

The advanced Western countries would contribute more to the welfare of poor nations by exporting their economic systems, notably property rights and free markets, rather than their political systems, which typically developed after reasonable standards of living had been attained.

In other words, it is not civil liberties at large that must be protected in developing nations, but rather those particular civil liberties that give rise to solid capitalist relations and markets working in the interests of a propertied class. Only once the market has acquired sufficient dominance and exerts control over society can other individual rights, more closely associated with political freedom, be subject to expansion. Barro suggests that most political rights must only be granted to the population at large after the sphere of politics has been sufficiently reduced to guarantee the absolute supremacy of market relations of production and distribution. The significance of these ideas for neoliberal democracy cannot be overstated. Neoliberalism may find liberal democracy acceptable under certain conditions, but democracy must be limited and diminished –even to a level that compromises the principles of political liberalism– when threats to neoliberal objectives arise from democratic pressures.

Conclusion

After nearly two decades of largely uninterrupted implementation, neoliberal policies have provided but modest aggregate growth, while income and wealth disparities have increased dramatically, separating the super rich from other social classes. This is most clearly evident in Latin America, where governments, sheltered by a wall of neoliberal doctrine and international compromises, have made themselves highly resistant to popular pressures for income redistribution and changes in the existing social structures.

In effect, neoliberalism – coupled with its strange brand of ballot box democracy– has managed to strangle the full array of political forces antagonistic to and resisting its project. Economic power has tended to concentrate in the hands of those social groups that share objectives of accelerated capital accumulation; benefiting themselves, their families, and their elite classes. Evidence of the undemocratic methods utilized by Latin American rulers of neoliberal democracies abound: the excessive use of presidential decrees in Menem's Argentina, the exclusion of popular leaders from consultative bodies Salinas de Gortari's Mexico, or the application of strong arm tactics in Fujimori's Peru, could start a long list.[10]

A picture of neoliberal democracy emerges as a political system highly restricted within the bounds determined by the interests of capital accumulation –as dictated by markets and their functionaries, neoliberal economists. For societies with high levels of inequality –where popular pressures for the redistribution of resources tends also to be high– neoliberal regimes rapidly adopt undemocratic methods in order to implement and protect economic reforms. In societies that have a longer tradition of market dominance, or better distribution of resources –or are simply wealthier and therefore more able to meet demands– popular pressures for income redistribution may be met within the parameters of liberal democracy. However, the achievement of a high degree of material development in conjunction with liberal democracy does not imply that the latter is secure. The rise of neoliberalism worldwide, brought about by the collapse of the Keynesian state as the broadly accepted institution, has resulted in the relentless expansion of the spheres of markets, often at the expense of political freedoms, especially for those outside of the highest income groups.

Even in regimes that present all the outward signs of liberal democracy, such as rule of law, balance of political powers, and respect for individual rights, the rise of neoliberalism undermines the ability of common citizens to become effective participants in charting the direction of their societies. The channels through which individuals and civil society can influence government, and the ability of the state to respond to their demands, almost by definition, have been practically eliminated by the implementation of neoliberal prescriptions.

Let us not forget that the original objective of neoliberalism in the arena of politics is to reduce the scope of politics itself, and thereby insulate policy-making from popular pressures. Neoliberalism, through the erosion of politics and exaltation of markets, undermines the significance of individual rights and political freedoms,

[10] Under the presidencies of Carlos S. Menem, Carlos Salinas de Gortari, and Alberto Fujimori, Argentina, Mexico and Peru experienced the most extensive and intensive implementation of neoliberal policies in all of the 1990s. Their market friendly records remain unsurpassed by their successors anywhere in Latin America and possibly the world.

inevitably moving democracy towards a purely procedural system.[11] Alain Tourine (1997, p. 8) warns us that democracy "may be destroyed from within as power comes under the control of oligarchies or parties that accumulate economic or political resources so as to impose their choices on citizens, who have been reduced to the role of voters." Neoliberal democracy – in its liberal or illiberal versions – moves a polity away from the ideal of rule by the people and toward casting ballots devoid of meaning.

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[11] Procedural democracy is also known as electoral democracy due to its emphasis on the electoral process, and as Schumpeterian democracy, due to the late economist's early use of the concept. See Schumpeter (1942).

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