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From the Great Depression to neoliberalism

In all countries, they arouse the furious resistance of the economic elites of power. They are not willing to see neoliberalism defeated with social economies that they now call "communists." And in this game of opposing forces, Ecuador's presidential elections on August 20 reflect the same historical circumstances that Latin America is experiencing...



The unprecedented [Great Depression, triggered in 1929](#) with the crash of the New York Stock Exchange, had serious repercussions, for a decade, on the world capitalist economy. It also affected Latin America, influencing the fall of its exports, making imports more expensive, making foreign debts unpayable, with strangulation of state revenues and a brake on public and private investments. If unemployment and misery grew in the United States, in Latin America these social consequences were aggravated, in addition to causing political and institutional instabilities.



Black Thursday took place on October 24, 1929, the day on which the fall in the New York Stock Exchange began and with it the Crash of 29 and the Great Depression. The collapse of the New York Stock Exchange on Black Thursday produced a situation of real panic that provoked the subsequent banking crisis in the US and then in the world.

In the US and Europe, the crisis demonstrated the lack of control to which the model of "free competition" had arrived. In Latin America, on the other hand, with underdeveloped economies and only a few countries in capitalist takeoff, the crisis showed the persistence of *oligarchic regimes*. To solve the crisis, U.S. President Franklin D. Roosevelt (1933-1945) tried unprecedented economic and social policies that broke with the dogmas of classical liberal economic theory. He implemented the *New Deal*, which inaugurated the active role of the state: it sanctioned dishonest businessmen; made large public investments; regulated prices and interest; imposed high taxes particularly on incomes; established the social security system and guaranteed labour rights; provided subsidies and aid ("bonds") for residents in precarious situations; generated employment in all types of activities; It boosted domestic consumption, which served to lift supply. In a hundred days the crisis was controlled. In the following years new policies aimed at creating a *social welfare economy* in the US were strengthened and Roosevelt was re-elected three times.



Under the framework of the world crisis, in Europe, the trilogy fascism, *Nazism* and *Falangism* was the political response to the advance of the communist parties and the radical workers' movements in Italy, Germany and Spain, respectively. But once the Second World War (1939-1945) ended, the social *market economy* model spread in European countries as the basis of their *welfare states*. In essence, also breaking with liberal orthodoxy, the active participation of the State in the economy was implemented, with generalization of public social security, broad guarantees of workers' rights and heavy taxes.



The New Deal: Who Benefited from Roosevelt's "New Deal" Programs

In Latin America it was difficult to overcome the *economies of underdevelopment*, because the capitalist take-off demanded the overthrow of oligarchic hegemony. With the [Revolution of 1910 and the pioneering social Constitution of 1917](#), Mexico began the process of overcoming the oligarchic regime; but the foundations for a social economy were affirmed with President Lázaro Cárdenas (1934-1940). In Brazil, a similar path was achieved during the government of Getulio Vargas (1930-1945) and the implementation of the *Estado Novo*. In Argentina it was Juan Domingo Perón (1946-1955) who sought to consolidate a welfare state. The three "populist" rulers, thus qualified by the classical sociological literature, with the contradictions and limits that one wants to point out, exemplify the search for a social economy, distant from the postulates of the capitalist economy of free competition.

The possibility of creating social economies and welfare states in other Latin American countries also hovered in the 1920s and 1930s. Uruguay, for example, began this path in 1925, Costa Rica the same and [Ecuador from the Julian Revolution](#) and its governments between 1925-1931. But it is in the 1960s and 1970s, with the take-off of [developmentalism](#) as an industrial model and strong state interventionism, when it was properly possible to overcome the oligarchic regimes and promote the definitive capitalist development of most Latin American countries. In several of them, as happened in Ecuador, he even favored the Alliance for Progress program promoted by the United States, which the traditional oligarchies resisted and branded as "communist."

Despite the recurrent historical processes to implement social economies, comparable with those of Europe or Canada and even with the US before the "[neoliberal reform](#)" inaugurated by President Ronald Reagan (1981-1989), who abandoned the Rooseveltian model and implemented neoliberalism, in Latin America they failed to maintain or consolidate welfare economies. There was permanently the brake of the traditional oligarchies and the new bourgeoisies, because their accumulation of wealth always depended on reducing the capacities of the States, cutting taxes on their profitability and businesses, but above all, exploiting the labor force, in which there is a long history that can well go back to the colonial era.

The neoliberalism introduced in the region in the final decades of the twentieth century liquidated any project of social economy. It was a return to capitalism of "free competition", with the slogans of reducing state capacities, privatizing public goods and

services, abolishing taxes, but, above all, making labor relations more flexible, destroying workers' rights. The disastrous consequences of this model are found in any Latin American country. So it was the governments of the first progressive cycle in the first decade of the twenty-first century that resumed the construction of social economies, under historical circumstances different from those of the past. They managed to recover the capacities of the State, make extensive public investments, strengthen and extend public services, impose redistributive systems of wealth, as well as guarantee social, labor and environmental rights, while conducting international policies based on sovereignist, nationalist and Latin Americanist principles.



After that cycle came conservative restorations that revived the neoliberal path. However, in the second progressive cycle, attempts are again being made to restore social economies. In Mexico, President Manuel López Obrador altered the past, inaugurating the new course. In just six months, President Lula da Silva resumed reforms with a significant improvement in social conditions in Brazil. [In Colombia, President Gustavo Petro is making progress](#) at the same time as he is facing the consolidation of peace. In Argentina, President Alberto Fernández is another example of the progressive path. But in all countries they arouse the furious resistance of the economic elites of power. They are not willing to see neoliberalism defeated with social economies that they now call "communists." And in this game of opposing forces, the presidential elections in Ecuador on August 20 reflect the same historical circumstances that Latin America is experiencing: broad progressive sectors that crave well-being, opposed to private elites that are only interested in ensuring good business, in the best conditions of profitability, without social proposals.

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