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BYLINE: Reviewed by Jorge I. Domínguez

LIBERTY FOR LATIN AMERICA

How To Undo Five Hundred Years of State Oppression
By Alvaro Vargas Llosa. Farrar Straus Giroux. 276 pp. \$25

An "enthraling history of permanent revolution," Alvaro Vargas Llosa writes in the stirring final sentence of this provocative book, will turn "the wheel of the individual to its rightful place." This is not Trotsky's permanent revolution, but it is the clarion call of a liberal—a real liberal who thinks the state should interfere little with the economy or individuals' private lives. Vargas Llosa, who is the son of Peruvian novelist Mario Vargas Llosa, writes little about the United States, but he surely believes that self-styled "liberals" in U.S. politics have a fatal attraction for the state. Lest neoconservatives cheer, Vargas Llosa also presents a searing indictment of the history of U.S. policy toward Latin America, including certain Bush administration policies.

This feisty book, which will provoke and annoy people across the political spectrum, is a great read. The author takes on the big state everywhere. He criticizes autocrats from the ideological left and right. He castigates today's democratic presidents of Argentina and Brazil, both vastly popular, just as he dissects the mistakes of their autocratic and democratic predecessors. Vargas Llosa, a prominent Latin American political analyst who was born in Peru, is at his best as a critic of big, concentrated power, be it private or public.

Latin America, he argues, suffered through the centuries from five "principles of oppression": corporatism, state mercantilism, privilege, wealth transfer and political law. Together, these foster state intervention in the economy and society, and concentrate power, status and wealth. He traces these themes from pre-Columbian civilizations through Spanish and Portuguese colonization to the present. He examines the continuity of persistent cultural traits and values from the Iberian and indigenous past, and of significant institutional choices that shaped long-winding paths. For example, he highlights repeated decisions that have weakened property rights, discouraging saving and investment. He embraces often contradictory perspectives to highlight the multiple reasons for the persistence of an oppressive past.

The five key concepts change their characteristics as Vargas Llosa marches through the centuries, however, and fade as he approaches the present. Moreover, he sometimes undermines his own argument. He admits that Latin America's economic growth rates over time seem unrelated to the extent of pro- or anti-market policies. He also praises top-down statist projects, such as the Meiji restoration in 19th-century Japan, when "the Japanese government sought to 'import' Western modes and techniques, was able to finance the effort out of real resources, and made meaningful progress." True, but that enshrines the state as the engine of technical and economic change and generator of well-being—the opposite of this book's message.

Vargas Llosa also misses the opportunity to use Chile's past quarter-century to educate his reader—and proves far too kind to the overrated economic performance of Gen. Augusto Pinochet's junta. "Chile had begun its free-market reforms in the 1970s," he writes, "so its 1980s slowdown, including the 1982 financial crisis, in the midst of military dictatorship was of a different nature and found citizens in a different situation, marked by economic change." In fact, in 1980 constant prices, Chile's per capita gross domestic product grew at an annual average of just 1.2 percent between 1981 and 1990—better than the dismal South American annual average (-0.9 percent) but not exactly at the level of an "East Asian tiger." In the 1982 financial crisis, Chile was South America's worst performer. Indeed, the Pinochet government actually seized the country's banks—a policy impulse for which Liberty for Latin America rightly excoriates Mexico in 1982 and Peru in 1987 but not Chile in 1982.

In fact, he could have easily demonstrated that Chilean economic growth rates took off only after the Pinochet regime ended. After 1990, political and economic liberty reinforced each other. The long-lasting Pinochet dictatorship suppressed political freedom and needlessly delayed Chile's economic boom.

Vargas Llosa's key insight is to emphasize the centuries-long persistence of disproportionately concentrated economic, political and social power and the sustained inequality that has prevented the continent's progress. He is at his most articulate when he castigates the consequences of the European conquest and slavery, the systematic deprivation of political and property rights and the state's support of concentrated private power. He is also brilliant when, writing about the recent past, he deplors the privatization of state enterprises—a principle he celebrates—as having merely changed "from monopoly to monopoly," that is, from public to private monopolies.

In the end, Vargas Llosa concentrates on choices, but he sometimes thinks too big. Latin America long performed poorly because the means for concentrating public and private power in the hands of just a few oligarchs have never been dismantled. The prosaic explanation for specific periods of economic growth or contraction is good or bad macroeconomic policy choices, a point that Vargas Llosa chooses not to emphasize. That, and not the grander subject of Latin America's legacies of oppression, explains why economies grew (good policies) or stagnated for long periods (bad policies). What good or bad macroeconomic policies never successfully addressed was inequality. Latin America remains the Olympic champion of worldwide inequality.

What, then, of the role of the United States? A chapter entitled "Friendly Fire from the United States" argues that "at no point in the last two centuries has the United States promoted the kinds of policies that could have helped Latin American nations develop into healthy trading partners, solid political interlocutors, and trustworthy neighbors." In particular, he criticizes the 1992 North American Free Trade Agreement for excluding the free movement of peoples in North America. He also chastises the Bush administration's performance in the 2003 talks on a Central American free trade agreement, arguing that it showed a "United States [that] has chosen to help reinforce rather than undermine protectionist privilege"—requiring Central American "compliance with a battery of U.S. regulations" and employing its overwhelming power to

exclude "certain items from the accord." His story of U.S.-Latin American relations helps explain the persistent lack of freedom in Latin America.

Vargas Llosa's book is superb at diagnosing Latin America's ills but less persuasive at explaining them. The book's last chapter, calling for "Liberty for Latin America," provides a powerful set of motivations for change, even if the prescriptions offered here require closer attention. Only wise policy choices will make Latin America's peoples successful as well as free.

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