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Latin American “Pink” Countries: Left wing Governments, Right wing finance:  
Financialization and Fraud.

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Latin American “Pink” Countries: Left wing Governments, Right wing finance: Financialization and Fraud.

Since the end of the last century, real political changes have occurred in some South American countries. Some have argued that this tendency started with the electoral victory of left wing and center political parties in the presidential elections of Chavez in Venezuela and Lagos in Chile in 1999 and 2000, respectively. Likewise, many have argued that other left leaning governments have moved away from Washington Consensus inspired economic policy, such as the Lula and Kirchner administrations in Brazil and Argentina. Over the past decade several of the largest economies in South America, including Venezuela, Brazil and Argentina, have therefore experimented with leftist governments in an uninterrupted fashion. Within this group we can add Uruguay since 2005, Bolivia since 2006, and Ecuador since 2007.

The process of distancing from structural reform policies has been different in each case, yet most all can be defined by negotiations with multiple powers through organized channels, surrounded by various ideological debates regarding economic models and development options. For example, the decisions of the Argentine and Brazilian governments to settle outstanding debt with the IMF for 15.4 and 9.6 billion dollars, respectively, eventually took place at the end of 2005. It was the culmination of a complex debate within different options for left governments (IMF, 2006). On the other hand, although operationally functional for years, the Banco del Sur has yet to assume a role of significance in the financial situation of its member countries.

The emergence of “pink governments” has elicited a range of reactions from different ideological groups, especially those which have sought a return to the “supervised stage” of relations with the IMF and World Bank. One concrete manifestation of such was the discrediting of IMF macroeconomic figures and policies by the Argentine government on the one side, and the trials in New York led by bondholders against the Argentine government on the other. As these complex processes continue to evolve in unexpected ways, more recent dates have seen various rounds of give and take between “pink governments” and international creditors and their representatives.

While these are all processes that have moved at different speeds and reached different depths, by early 2014 we can confidently argue that the economic objectives of left leaning governments – namely higher levels of investment and employment -have appeared to be ever more eclipsed by the multiple forces of financialization.

At the national level, political projects under democratically elected leftist governments have not been and are not intended to move away from the dominant monetary and tax policies. Nor would it appear that they have the capacity to do so. As Carrasco and Ferreiro (2014) argue, conditions imposed by international capital markets leave little room for discretion in the determination of the most important prices for Latin American economies, manifested in interest rate and exchange rate policies.

In several isolated cases at the national level, the forces of financialization have led to other important examples of financial fraud, highlighted by the recent case of Eike Batista (Leahy, 2013), once the richest man in Brazil.

At the more local level, the great push of microfinance has led to widespread financial fraud and the continued informalization in many Latin American economies (Bateman, 2013), under “pink governments” or not.

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Short Portrait

Eugenia Correa is a professor at the Faculty of Economics at the National Autonomous University of Mexico (UNAM), with research interests in Finance, Development and Feminist Economics.

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Eugenia has written or edited more than 35 books in Mexico and abroad, as well as over 130 articles and book chapters. She is a co-founder of the Celso Furtado Eurolatinamerican network of development studies, and the journal *Ola Financiera*, and participates on the editorial board of several other journals.

In Mexico, Eugenia is a member of the National Academy of Science, the National Science-Researchers System (Level III), and the Mexican Academy of Political Economy. She is also a member of the Association for Evolutionary Economics and the International Association of Feminist Economics .

In 2013, Eugenia was awarded the James Street in Institutional Economy from the Association for Evolutionary Economics. She won the UNAM's award for Economic research in 2006, and the *Maestro Silva Herzog* prize on two occasions. She was awarded the Distinguished fellowship of the International Society of Intercommunication of New Ideas in 2001.

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Gregorio Vidal is a full professor - researcher in the Department of Economics at the Autonomous Metropolitan University – Iztapalapa (UAM-I), in Mexico City. He received his PhD from the Faculty of Political and Social Sciences at the National Autonomous University of Mexico (UNAM). Gregorio is the Research and Graduate Coordinator in the Division of Social Sciences and Humanities in the UAM-I. He is a regular Member of the Mexican Academy of Sciences and a Member of the National System of Researchers of Mexico, a professor in the postgraduate program of Social Studies at UAM-I and the postgraduate program of Economics at the UNAM.

Gregorio is the director of the Center for Development Studies Spain-Mexico and coordinator of the research project: 'Development and its actors: regional and global policies'. His research interests are macroeconomic policy, international economics, corporations, and foreign direct investments.

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Wesley Marshall is a full professor – researcher at the Metropolitan Autonomous University – Iztapalapa. He received his undergraduate degree in government from the College of William and Mary, and his doctoral degree in Latin American Studies from the National Autonomous University of Mexico, where he also undertook his post-doctoral studies at the Economics Faculty.

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Wesley is an active participant in national and international conferences, and has articles and chapters of books published in English and Spanish. He is the author of the book *México desbancado: causas y consecuencias de la pérdida de la banca nacional*.

## Latin American “Pink” Countries: Left Wing Governments and Right Wing Public Policies

### Abstract

Since the beginning of the XXI century, some Latin American governments, such as Argentina, Bolivia, Brazil, Ecuador, Paraguay, Uruguay and Venezuela, abandoned neoliberal policies and moved towards growth with stability policies. Anglo-Saxon literature has referred to these governments as the "Pink Governments" in South America. Literature has emphasized how these governments left behind policies and recommendations from the International Monetary Fund and the World Bank, including the IMF's overseeing over government treasuries and other government agencies. This paper analyses if change has also involved alternative fiscal and monetary policies. The paper addresses the reconstruction of democratic economic institutions, which, as it is explained, has been slow and inconsistent. The paper concludes that there has not been significant shift in economic policies and social-political participation has been more or less absent from the major economic policy decisions.