

**DEMOCRACY, POVERTY  
AND LOCAL RESPONSES**

**By**

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## **ABSTRACT**

In this paper I employ three concepts of democracy, “electoral,” “civil” and “economic,” to look at recent events in Latin America. Specifically, I suggest that at least in certain circumstances the roots of significant social change may lie not primarily in electoral but in economic democratisation, a process which may be most easily accomplished where there is a tradition of civil democracy.

A period of electoral democratisation in the 80's and 90's was accompanied by strong sense of expectation. The process was accompanied by neo-liberal reforms meant to deal with endemic economic problems in the region. Economic decline had set in again by the new millennium, breeding widespread dissatisfaction and unrest as evinced by electoral outcomes in Venezuela, and Brazil, and the forced resignation of four South American presidents since 2000.

Three cases illustrate a variety of local responses to this general picture. Cojimies, Ecuador, where poverty has only been deepened by electoral and economic reforms, expressed its despair by participating in the 2002 Presidential elections only when forced by the military. Salcocha, on the other hand, discovered a common will and the ability to act collectively which has provided an umbrella for entrepreneurial activity and local development. Pampa, shares the general skepticism for government and economic reforms from without. But its ingrained civic culture supports a dramatic form of collective entrepreneurship with strong social as well as economic outcomes. Salcocha and Pampa illustrate, in different ways, the approach and promise of economic democracy.

These cases raise the question of whether the process of “democratization” does not have to be more closely linked with meeting human needs at the local level, for which economic democracy appears a promising instrument. They also suggest the need for both a critical examination of neo-liberal reforms, and support for civic culture where that is found.

## **Introduction: Three forms of Democracy**

One useful way of thinking of democracy is to conceive of it as a multi-faceted condition of a society. Most if not all facets admit of degrees, and many have a degree of independence from one another. So the question of whether a given society is democratic will not have a simple yes or no answer. This would be true even if everyone agreed on what elements should make up this complex notion called democracy, and how those elements should be weighed. But not everyone does agree. Scholars differ over what things should be taken into account, and what relative weight they should be given, in deciding whether or to what extent a given society is democratic.

In this paper I intend to focus on three factors that may be included in the complex notion of democracy. The first of these—sometimes treated as though it constitutes democracy all by itself—is what is often called “electoral democracy.” This is the condition that occurs where individuals participate in political decisions that affect them by electing representatives from among a number of genuinely alternative candidates by means of a “universal, free, equal, direct and secret suffrage (Santolaya & Iniguez, 1997).” This aspect or kind of democracy is embedded in the context of a nation state, and is what users of the slogan “One person, one vote” generally have in mind.

The second form of democracy might be called “civic democracy.” It is built on the notion, developed by Putnam (1993), of a “civic community.” Civic community, as those who have adopted the concept emphasize, is focused in a local or municipal setting (Reese & Rosenfeld, 2002; Swank, 1996). According to Putnam,

Citizenship in the civic community entails equal rights and obligations for all. Such a community is bound together by horizontal relations of reciprocity and cooperation, not by vertical relations of authority and dependency. Citizens interact as equals, not as patrons and clients nor as governors and petitioners.... The more that politics approximates the ideal of political equality among citizens following norms of reciprocity and

engaged in self-government, the more civic that community may be said to be (Putnam, with Leonardi, & Nanetti, 1993: 88).

Civic democracy is therefore community-based, and built on a culture of civic engagement, reciprocal trust and shared decision-making.

The third form of democracy to be considered here is what I will call “economic democracy,” and requires more elaboration. I will use the term in a sense very similar to one developed by Robin Archer (1995).<sup>1</sup> Archer argues that where economic democracy prevails, a firm should be governed by its stakeholders. His list of those with this interest resembles the standard inventory: “1. employees or workers 2. consumers 3. shareholders or capitalists 4. suppliers of raw materials and producer goods 5. banks and other financial institutions 6. local residents (Archer, 1995: 39).” Where Archer’s notion differs sharply from others interested in the authority of stakeholders is in the form of governance he assigns to the various categories of stakeholder. Most significantly, he holds that employees alone should have “direct” or “voice” control; i.e. engagement in the decision-making processes of the enterprise. Other shareholders should be limited, he contends, to “indirect” forms of control; specifically, setting constraints on available decisions through either government regulation or “exit control” (simply withdrawing from association with the enterprise as employer, investor, customer or whatever), or both.<sup>2</sup>

Archer defends the restriction on direct control to employees on two grounds. The first is that labor is generally less mobile—the opportunities for shifting one’s labor to another firm are normally fewer and more costly than moving one’s capital or custom. The other ground given by Archer for according direct control solely to employees is that they alone are “subject to the authority” of the firm, in the sense that they alone are required

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<sup>1</sup> Others, e.g. David Korten (1999), have used the term but in a less fully developed and defended sense.

<sup>2</sup> Archer’s distinction between “voice” and “exit” control is adapted from the well-known account by Albert O. Hirschman (1970).

by their form of association to surrender the right to act in accordance with their own choices and to act instead on the choices of the firm's authorities (Archer, 1995: 30). The need to protect the freedom of employees is therefore greater, and direct governance affords that added protection. These grounds for the special place of employees in governance turn out to be important in determining a variation on Archer's model for our purposes.

In this paper I will employ Archer's notion of economic democracy, with one important modification. The enterprises which occupy my attention in this paper are significantly different from the standard firms in capitalist societies. They fit the pattern of what have been called "community-based enterprises" (Peredo 2003). They are undertakings in which individuals who are already members of some geographical community act corporately to initiate and operate an enterprise in pursuit of their common purposes. Community members, who normally include but go beyond what could be considered the "employees" of the firm, constitute the body with decision-making authority in these enterprises. I propose to include community members among those entitled to direct control of the enterprise's operations.

This addition to the body of Archer's direct governors is easy to defend. As examples given later in the paper will illustrate, the community in these cases is not merely the environment in which a business operation is situated; it constitutes the business. Community members in these cases are therefore not like the "local residents" listed among Archer's stakeholders. The impact of these enterprises on community members is both more potentially significant and less avoidable than the impact of enterprises on community members in more typical cases. Appropriate government control may be difficult or impossible to achieve, and exit prohibitively costly. Accordingly, I include them among the "direct" governors in an economically democratic enterprise, along with the employees (who will typically be members of the community anyway in a community-based enterprise).

In summary, then, economic democracy, for the purposes of this paper, is the state of an enterprise in which governance is exercised directly (by participation in the decision-making processes of the business) by employees and community members, and indirectly (by withdrawal from association and/or government regulation) by other stakeholders in the enterprise.

### **A Proposal**

My focus in this paper is on Latin America, where a crisis of electoral democracy exists, arising from the failure of governments to deal with endemic poverty. The evidence for this is readily available, both anecdotally and in the results of elections in various countries in the past five years. As the former Mexican Minister of Finance, Angel Gurría, put: “There is a huge weapon of mass destruction...and it’s about to explode. It’s called Latin America (Prestowitz, 2003: 256).”

The purpose of this paper is to explore the links between the declining confidence in government and the emergence of local responses. It is not my intention to propose and defend a fully-developed thesis concerning these connections. What I wish to do instead is to frame a proposal, suggested by specific cases, which merits further investigation. The proposal is that in addressing the discontent evident in Latin America, and in other relatively poor parts of the world, we should not look exclusively, perhaps not even primarily, to electoral democracy. For material assistance with conditions of endemic poverty and social discontent we should be looking in addition, perhaps even instead, to economic democracy, which roots most easily in conditions of civic democracy.

This article looks at three specific cases in the region, two in Ecuador and one in Peru: one in which the political system has broken down completely, and the others where people through their own entrepreneurial initiatives have created a basis for hope. This is the story of three communities’ response to poverty, and a story that underlines the

need in building “democracy” to look much farther than the simple expedient of holding elections.

### **Democratization and Latin America**

The decades of the 80s and 90s were the ‘golden era’ of democratization or re-democratization in Latin America. Military and other forms of totalitarian government, with their oppression, corruption and scant regard for the law, had long suffocated political and economic development. Bloody civil wars in Central and South America had exacted a huge toll in lives and property damage. Those forces and civil society organizations which normally form the most productive and innovative elements of society had been effectively suppressed.

It is beyond the scope of this paper to examine the historical roots of the dismal political situation that emerged in the post-Second World War years. Suffice it to say that the picture contrasted sharply with that to be found in the northern part of the western hemisphere. Most Latin countries were governed by and for small wealthy elites. Poverty was endemic, as was discrimination against the indigenous and the poor. While some social programs were created, they were generally under-funded. A small number of corporations and large landowners exercised a disproportionately high level of political and economic influence, and national governments were often seen to be acting more in the interests of foreigners than of their own peoples.

The result was a tremendous thirst for political and economic reform from *Tierra del Fuego* to the *Rio Grande*. The desire for change spawned action groups and liberation movements, from the radical Shining Path in Peru to the Jesuit practitioners of liberation theology in El Salvador. Political conflict cost hundreds of thousands of lives from Guatemala to Argentina.

As the nations of Latin America emerged from the decades of strife and moved to hold elections and form representative governments, a mood best described as one of

euphoria replaced the previous gloom. For example, former combatants in war-torn Nicaragua, the foot soldiers of the *Contra* and *Sandinista* armies, were merged into one national military force in a common effort at nation-building. Across the hemisphere, pent-up expectations were released, and confidence was raised that the political, social and economic ills of the past would be remedied.

Indeed, initially, some improvements did take place. Educational and health systems were improved in a number of countries. State banks were created to assist small business and peasant farmers. Human rights abuses were checked. Hopes were high that economies would improve and jobs would be created.

### **The Neo-Liberal Model**

Latin America's economic woes were to be remedied in a structural sense by the introduction of the neo-liberal model. Strongly promoted by the International Monetary Fund and Western countries led by the United States, the aim of neo-liberalism was to introduce the free market approach, all the while reducing the role of the state in industry and the economy in general. The underlying assumption was that the growth thus stimulated would lead to a general improvement in the standard of living. This would be brought about by the so-called trickle-down effect, whereby development in higher value sectors, such as the industrial, would eventually have a multiplier effect throughout the economy by way of increased income, spending and capital investment.

For proponents of the neo-liberal model, under-development such as existed in the countries of Latin America was the result of government inefficiency and state intervention in the markets through regulation, etc. Thus, it was argued that the role of government was to create an environment, which promotes free enterprise and allows competition to flourish. The unleashing of free market forces would be accompanied by a reduction of government spending, the introduction of stricter discipline into government budgets and the elimination of costly programs.



Indeed, the introduction of the neo-liberal model was facilitated in most cases by the fact that the newly elected governments tended to be center of the road, or center-right, and thus favorably disposed to free market principles.

### **The New Millennium**

According to plans and expectations, the economies of Latin America should by the year 2000 and beyond have made significant progress. Similarly, after several years of liberal reform measurable advances should have been recorded in the assault on poverty. Investment into the region, in some countries more than others, did in fact increase markedly. The growth rates in some countries similarly showed healthy advances. Inflation was largely brought under control and showed persistent decline.

Unfortunately, at the end of 2002 the overall picture in Latin America, contrary to earlier expectations, was one of gloom on the economic scene. The region registered negative economic growth during the preceding twelve months, while per capita GDP fell, according to a report issued in December by the Economic Commission for Latin America and the Caribbean. Unemployment had increased, up from the already dreary numbers of earlier years, and real wages fell. Even in Peru where growth at over 4 percent was the most robust of the region, the numbers were scarcely any more encouraging. The cap on inflation was beginning to become unstuck. Of direct interest to those mired in poverty, such social programs as existed were severely reduced or eliminated. Just as serious were the continuing subsidies to European and American producers, e.g. in agriculture, which in addition to undermining the ability of African and Latin American countries to export, also undercut the prices of the latter's domestic product (Prestowitz, 2003).

The prospects for the future are not bright. While economists saw a weak recovery underway in 2003, average growth was not forecast to surpass two percent (ECLAC 2003). Moreover, the continuing sluggishness of the world economy, combined with low commodity prices on which Latin America is so dependent, and the focus of attention on

conflicts in other parts of the world, suggest that it will be extremely difficult to make any progress in dealing with Latin America's embedded poverty.

### **Frustration Builds**

In the circumstances, it would have been lacking in realism to expect the political picture not to have been affected. The first overt signs of voter frustration surfaced in Venezuela in 1998 with the election of Hugo Chavez, a populist and self-proclaimed admirer of Cuba's Fidel Castro. Chavez, a former colonel who had been imprisoned earlier in the decade for leading a coup, obtained his electoral victory handily on a program of clean government and a new deal for those at the lower end of the economic scale. His political base was firmly anchored in the poverty of the countryside and the slums encircling the major urban centers.

The next "domino" to fall was Ecuador in November 2002, where another colonel, Lucio Gutierrez, was elected in a second-round runoff as a reflection of the discontent of the masses. A principal feature of the election was the sweeping aside of the traditional parties in favor of untested populists. While politics in Latin America are much more complex than a simple division of the spectrum into left and right, the Gutierrez victory nonetheless served clear notice of widespread voter dissatisfaction, particularly among the economically disadvantaged.

The third revolt against the established system came in Brazil in 2002, where Lula da Silva carried the Workers' Party to victory for the first time in Brazilian history. Included among his following were many self-proclaimed anti-capitalists and opponents of free trade. The assumption by Lula of the President's office on January, 2003 was seen by those disenchanted with democracy as something of a reprieve for the system (The Economist 2003: February 21).

### **Between a Rock and a Hard Place**

For Chavez, Gutierrez and Lula da Silva, getting elected was the easiest part of the struggle. All three faced the challenge of enormous expectations, to say nothing of the problems themselves. The options available were limited by the realities of economies in recession, by the exigencies of the international financial institutions, and the watchful eyes of the United States and other donor nations. Additional inhibiting factors included such things as congresses where the elected President did not have a majority (Ecuador), elites determined to hold their chief executive strictly to constitutional and democratic norms (Venezuela), and party members scarcely disposed to compromise their long standing goals and ideals (Brazil). In such circumstances, the choices were either to confront the traditional political system head on, or to try to maneuver delicately between conflicting forces.

The Venezuelan President chose the former. In a series of moves aimed at thrusting the government into the forefront of the campaign to pursue leftist goals, Chavez quickly succeeded in alienating the country's economic and corporate elites. Much of the effort was focused on the struggle for control of the state oil company, significant because of the role of Venezuela as the world's fifth-ranked oil supplier. Eventually, the country was paralyzed economically and politically as opponents sought to bring the government down, accusing Chavez of trying to introduce Cuban-style methods and reforms.

Gutierrez and Lula on the other hand chose the path of compromise. Similarly pressed by their followers to take radical steps, both chose caution. The Ecuadorian President moved quickly to reassure Washington and to relieve the anxieties of bodies such as the World Bank. He struck a quick deal with the International Monetary Fund, taking steps the latter had prescribed. In doing so, Gutierrez was seen by many of his own supporters as betraying the cause. In a country whose presidents in recent times have rarely seen the end of their terms, Gutierrez is by no means certain of finishing out his. Brazil's Lula da Silva similarly opted for the cautious approach. His electoral victory was greeted with euphoria and high expectations across the political spectrum. He aroused

hopes for a new paradigm by attending in quick succession the left leaning World Social Forum in Porto Alegre, Brazil and the World Economic Forum for business leaders in Davos, Switzerland.

The chances that either leader could manage to satisfy all sides and genuinely come up with the much hoped for “new paradigm” are slim. Neither leader has depth in the business of running government or of operating on the international scene. While Chavez at least retains his hard-core support in Venezuela, both Gutierrez and Lula are at risk of offending both their followers and business and they tread an insecure tightrope.

The frustrations that surfaced in the three countries described above are no less evident elsewhere on the continent. The leaders of Peru, Colombia, Bolivia, and of the countries of the southern cone, face similarly daunting challenges.

### **A Clash of Cultures?**

On the surface, the global economy appears well on the way towards achieving universal forms. There is an assumption, particularly in Western nations, that the economic forms with which we are familiar will eventually dominate. The relevant fact, however, as Samuel Huntington points out (1996: 184) is that the instruments of this globalizing process, such as the IMF, through which the developed countries attempt to further their economic interests are regarded almost universally in a negative light in the poorer countries of Latin America—the exception being finance ministers and some of the elites who have been educated in Western institutions. At issue, therefore, is the applicability and sustainability of traditional Western models of economic development to their situations, since these have to date not proven capable of responding effectively to the needs.

## **Between Hopelessness and Hope**

Enter civic culture and the forms of democracy which find their roots there. Communities have thus far responded in variable ways to the threats to their survival. In some, the response has been one of surrender, with the peasants either eking out a bare subsistence or, alternatively, migrating to the cities where they add to the slums and lead a hand-to-mouth existence as they seek work in the informal sector. In other cases, communities drawing on their traditions and culture have gone against the flow and mobilized their own social and natural resources in an attempt to survive. Among the most striking of these are instances of what I have labeled economic democracies. Can these responses succeed? In all cases, the eventual outcome will have significant consequences for the survival and health of a broader democratic form of governance.

### **I. The Case of Cojimies: Descent to Despair**

Cojimies is a story of despair. It is a town of some 4000 souls on the Pacific coast of Ecuador. It lies at the tip of a long sandy peninsula, some 75 kilometers from the nearest substantial population point. Access is by dirt track in the dry season or, when the winter storms come, by means of a perilous journey along the beach itself. The inhabitants make a living by fishing, or growing vegetables. There is little commerce because of the lack of an all-weather road. An already low standard of living was degraded even further by the effects of an exceptionally severe *El Nino* in the mid-90s.

The story is a short one. Cojimies is a town without hope. It is the absolute antithesis to the development posited by the trickle-down theory. The only 'trickling' that has taken place has been into the pockets of corrupt politicians of the rare funds allocated for local improvement. The application of neo-classical theory at the macro level has only had the effect of deepening misery, poverty and despair at the local level.

Consequently, when the Ecuadorian presidential elections were held in 2002, the townspeople set up barricades and refused to allow the polling booths to open. They

pointed to the corruption and many unfulfilled promises made by politicians in the past: to build a road to facilitate the transport of products to market, to improve health services, to establish a police post to deal with criminal elements arriving by boat, etc.

All attempts by the police and outside electoral officials to initiate the vote were strongly resisted. Government officials eventually withdrew in the face of threatened violence. A week later, military and army units took up position in the village and under the shadow of weapons, the vote was held. To assuage local feelings, the provincial government renewed its promises to build the road, and so on. As for the villagers, their demoralization was complete. Life would go on as before. Their children would continue without schooling. A doctor's care was beyond reach. As the election observer on whose account the foregoing is based (WT Warden, Organization of American States, Washington, DC) returned from Cojimies, a short distance down the road he encountered a roadblock made of branches. A mother and father had placed on a table at the side of the road the body of their infant daughter. They were begging for money to purchase wood to make a coffin.

It is almost impossible to avoid the conclusion that the case of Cojimies is a hopeless one. That government will introduce programs calculated to pull the village out of its despair, or indeed have the resources to do so in the foreseeable future, is highly unlikely. That IMF reforms should make any sense to the villagers is unthinkable. There is no tradition of community cooperation or self-help. Inspired unselfish leadership is lacking. The villagers' two options are equally dreary: continue to eke out a subsistence level from the sea or on the land; or migrate to the city and join the urban poor.

At the same time, history and tradition are critical factors of influence in Cojimies. Historically, the productive coastal areas and interior valleys of Ecuador were controlled by caciques or caudillos (the terms are interchangeable) who exercised near absolute power over the mestizo population. Political and economic decisions were the exclusive domain of the cacique. Indeed it is still possible today to find caciques maintaining private 'armies' and dictating electoral results, even as described by Charles Chapman

in his seminal article on *caudillismo* (1932). While *caciquism* continues as a limited force in some areas, its influence has diminished or disappeared relatively recently in others such as Cojimies, leaving behind a vacuum in terms of governance and civic democracy.

To the people of Cojimies, “democracy” as expressed in the right to vote for a political party of their choice is virtually meaningless. Even the prospect of voting for a non-traditional candidate as President was not enough to entice them to the polls; such was their lack of confidence in the system. A Chavez on the margins of constitutionality or an authoritarian Castro promising to provide the basics of life—in other words a new *cacique*—holds more appeal. The roots of civic democracy in Cojimies are shallow.

## II. The Case of Salcocha: The Cooperative Response

Salcocha is a small town in the Ecuadorian Andes. It is separated from its nearest urban neighbors by sixty kilometers of bad roads. Although an Andean community, Salcocha’s population is more *mestizo* than indigenous, much of the population having migrated from other areas. Culturally, the inhabitants relate more to the feudal traditions and *caciquism* of the coastal region than to those of the Quechuas. *Hacendados* (another term with much the same meaning as *cacique*) or large landowners long dominated politics and the economy, while the people involved themselves minimally or not at all in decisions affecting their livelihood and well-being. However, while sharing a similar background and subject to the same macro-economic and political forces as Cojimies, responses have been quite different. Salcocha provides an example of the cooperative response to the joint challenges of poverty and community survival.

In the 50s and 60s, the inhabitants of Salcocha and the surrounding area were mainly tenant farmers—meaning that they worked parcels of land and paid as rent a significant portion of everything produced to a landlord. Economic relationships were those of patron-client, which might have all the elements of love, respect, admiration and hate. There was only one school operating three months a year, and no health services. The

most common response was migration to the cities by the youth, where life was just as hard or harder. Alcoholism became a major problem.

Salcocha by the late 60s exhibited all the elements that might have turned it into an Andean replica of Cojimies. Indeed, through the latter part of the twentieth century and beginning of the new, the political system generated scarcely more enthusiasm or support among the population of the Andes than it had on the coast. Politicians were widely regarded as corrupt, as were the institutions of state. Such stability as existed in the region derived more from indigenous tradition than from political structures.

A critical moment for the town of Salcocha occurred in the late 60s when a group of *campesinos*, in collaboration with a newly arrived activist bishop, organized themselves to take over control of the local salt mines from the region's largest landowner. While the mines themselves proved in short order to be uneconomic, the social consciousness, thus ignited, in turn sparked a series of cooperative entrepreneurial initiatives leading to three decades of remarkable economic development.

A principal partner in the process has been the Church, particularly through the instrumentality of one Padre Pedro, Italian by origin, and the Salesiana Mission. The Church in effect brought leadership, organizational discipline and training capacity to the movement, as well as providing links for market development outside the community. Moreover, the Mission served as a conduit for foreign volunteers to come in and provide practical assistance.

One of the early measures was the establishment in 1970 of the Ecuadorian People's Progressive Fund (FEPP), which provided financing to worthy groups. This enabled, for example, *campesino* organizations over time to purchase all the land in the adjacent valley, some for individual and the rest for communal use.

Cooperative entrepreneurial activities begun over the years now include major facilities for cheese production, as well as handicraft industries to export sweaters, sausages,



dried mushrooms, ceramics, etc. Coordination and support is provided by the Federation of Village Organizations of Salcocha (FUNORSAL), of which a Savings Cooperative forms an integral part. The Salesiana Mission continues to play a crucial role. It serves largely as an experimental center where ideas are tested and then passed on to FUNORSAL, where they may serve as a foundation for new enterprises or stimulate new approaches in existing enterprises.

A General Assembly is the ruling body to which FUNORSAL reports. Voting members include all those who belong to the Savings Cooperative. It meets periodically to elect officers, formulate policy and take decisions.

Today, Salcocha serves as a cheese-producing center for all the communities in the region, as well as a center to which the *campesinos* can sell their milk. Other small villages, taking advantage of FUNORSAL's training programs, have organized their own cheese, candy, jam and other enterprises. As Padre Pedro explained to me, "The town of Salcocha should serve as an example and show others how to do things on their own."

The FUNORSAL cooperatives employ today more than 350 persons directly. The reality, however, is that most of the town's population of 5000 as well as those living in surrounding villages are involved at least indirectly in activity related to the enterprises. All the enterprises are self-sufficient and since 1993 have not received outside grants.

It is evident that the Salcocha family of cooperatives is in many essential respects an economic democracy. The individual enterprises as well as the umbrella FUNORSAL body are in fact operated directly by community members, from among whom the employees are generally drawn. Direct participation in decision-making, whether directly at the General Assembly meetings of FUNORSAL, or through elected representation on various operating committees, is exercised by community members and employees. This is not the standard arrangement characteristic of firms operating in industrialized, capitalist nations, where it is only the suppliers of capital that exercise "voice" control,

and employees as well as community members and others exercise solely indirect control through disassociating themselves or attempting to have government impose limits on the range of acceptable decisions. Instead, decision-making is the province of the community members who bring the enterprises into existence and who supply much if not all of the workforce. The proceeds and surpluses of the various activities are not concentrated in a few hands, perhaps external to the community, but are a means of enriching the community more generally.

Apart from the benefits afforded by providing employment, the cooperatives of Salcocha also contribute limited funds for social purposes. For example, they aid a Church-run orphanage and assist with a lunch program for children. In particularly difficult economic times, FUNORSAL also tries to maintain jobs, and in this context proposals by some of the younger members to privatize some enterprises have thus far been rejected. The cooperatives have also been instrumental in introducing certain environment-friendly activities such as recycling and ecotourism.

The major impact of the Salcocha cooperatives has been to blunt the hard edge of poverty and thus avoid the absolute despair that characterizes Cojimies. In fact, it is quite remarkable to travel over sixty kilometers of bad roads, impassible during rainy periods, and discover a series of factories with state-of-the-art technology. At the same time, confidence in government or in the value attached to living in a pluralistic political system is scarcely greater than that to be found on the coast. The antidote to political despair devised by the *Salineros* has been the creation of a measure of self-reliance that provides a buffer against both the neglect, on the one hand, and the abuses, on the other, of the state. The economic democracy implicit in these developments appears to contribute decisively to allowing the ideas and the resources of the population to be gathered into viable undertakings that benefit the whole society. Moreover, the Salcocha example has provided stimulus to economic development throughout the region. Economic democracy seems to have served not only to provide the means for communities to elevate themselves by operating collectively to mount enterprises and

maintain them for purposes beyond individual profit. It has also proved to have “spin-off” benefits that extend into communities around them.

Nonetheless, it must be admitted that a number of vulnerabilities threaten the longer-term sustainability of the Salcocha model. Their extraordinary level of economic-technological development has not been accompanied by comparable social, cultural and political development. The Salcocha model is not one grounded in local tradition, so much as imported from the outside. In communitarian terms, the people of Salcocha lack a sense of ownership and are not deeply embedded in the fabric of their cooperatives. It is not a tradition of civic democracy that gives rise to and sustains their common enterprises. Rather, in some ways the Church and Padre Pedro have simply replaced the traditional landowner in the psyche of the *campesinos*. For example, Padre Pedro’s hand is evident in most aspects of the cooperative’s operations, including the election of officers. Thus the view is commonly held that without the presence of Padre Pedro or other forceful individual providing the same type of leadership, the survival of the enterprises could well be in doubt. As one village elder said to me, “...People have been given the tools but not the consciousness to go along with them.”

Without the continuation in one form or another of this influence the survival of the enterprises could be in doubt. Alternatively, the enterprises could eventually be privatized, or mutate into elite-managed bodies without broad-based social participation.

### **III. The Case of Pampa, Peru: An Integrated Community Response**

Pampa, also a small town in the Andes, stands in significant contrast to Cojimes and Salcocha. Where in the latter two communities the majority of the inhabitants are *mestizo*, in Pampa indigenous Quechuas dominate. The *commoners*, as they refer to themselves, proudly trace their ancestry back for centuries to the Incas. Their town has scarcely been penetrated by outsiders, and tradition still governs in many instances relations among people. A major formative factor, in political terms, is that the people of Pampa more recently had to survive two decades of exceedingly harsh civil war, in

which they felt themselves constantly under threat by the Maoist Shining Path on the one hand, and the Peruvian military on the other. Indeed, self-reliance and a tenacious struggle to preserve their way of life has been a characteristic feature of the *pampinos*. It is a community which exemplifies the concept of civic democracy.

Significantly, the culture of *caciquism* was largely unknown in the more arid and less productive areas of the high Andes. The indigenous population was left to its own devices, and thrown back on its own resources for purposes of survival. Thus, in contrast to the fertile valleys and coastal regions, a strong culture of self-reliance and communitarianism developed in the harsh conditions of the higher mountains. This was not so much a product of ideology as of the stark need to eke out an existence.

In current political consciousness, compared with Cojimies and Salcocha, the lack of confidence in government, party politicians and the political system is virtually identical in Pampa. As for the reforms generated by the IMF, skepticism is equally deep rooted, as the *commoners* have watched such limited national social programs and institutions as existed, eliminated without, in their view, any offsetting advantages.

Pampa over the past several decades experienced the same stresses and strains as all other communities in the Andes. Well into the 60s and 70s, the main activity was agriculture for purposes of self-consumption. Out-migration had become a relief valve, with consequent effect on traditions and family life.

A determining factor in the emergence of the Pampa Self-Managed Community Enterprise (PSMCE) was indigenous tradition and a strong civic culture. The area is populated by family groups that have lived there for generations, linked through social, economic and cultural bonds such as the tradition of collective work and common exploitation of natural resources. While Pampa as a community existed long before, its status as an indigenous entity was recognized formally in its founding charter of 1830. Thus, from earliest times it represented a social, cultural and collective organization based on the collective ownership of land. Pampa's constituent families not only had

legally common property, but were also linked through traditions of collective work and exploitation of natural resources for the common good. Guiding principles, as reflected in the Internal Regulations of 1940, 1969 and 1974, included communal solidarity, democratic administration and control, equality of rights and obligations, defense of common interests, etc. The community's entrepreneurial experience and entry into the cash economy was arguably the product of a lengthy evolutionary process of experimenting with different formats. The PSMCE in its present form took root in 1975, both as a response to the community's needs and to the evolving economic realities.

A unique feature of the PSMCE is that the community itself is the enterprise. The fundamental intent of the charter was that the enterprise should control and make use of all communal resources for the common good. At the heart of the organization are the economic activities that include mining, agriculture and livestock, industry and tourism. These in turn, in addition to providing jobs and the basic necessities of life, support social services to the members (education, health, day care centers, transportation, etc.).

Noteworthy has been the intensely democratic form of governance for the PSMCE, even in the face of civil war and military and civil dictatorship. Decisions are taken collectively in a Commoners' General Assembly, where officers of the organization are also elected. Attendance is obligatory and all commoners have the right to express their opinion, a right that is widely exercised. Just as important as the Executive Council is the independent Audit Committee, also elected. Pampa is an almost paradigmatic economic democracy. The community is virtually coterminous with the enterprise. Its members are the governors in a highly direct way; and its employees—who are also community members for the most part—share not just in overall governance, but in the daily decisions about the organization of work.

Of primary importance to the community are the services provided that contribute to the overall quality of life which, in comparative terms, is markedly higher than in other Andean communities. Through collective efforts, the community enjoys the benefits of

paved streets, potable water, electricity, a health center, communal drug store, schools, subsidized food and other services. Pampa is the story of transformation and reinforcement of culture through collective innovation, synergy and social learning. It is a community that has succeeded for the time being in buffering itself against the ravages that have afflicted many other similar communities.

## **Discussion**

The future of democratization in Latin America will be decided in good part in communities such as Cojimies, Salcocha and Pampa. It has become fashionable for some analysts to regard the process, if not complete, as well on the way to consolidation, largely because of an assumed equation between electoral democracy and democracy in some fuller form (Eiklit & Svensson, 2001). This assumption is highly questionable, as current political and economic turmoil will attest. Even though some form of electoral system is an essential part of any functioning democracy, democracy itself does not equate to elections.

“Democracy” in much of Latin America remains a privilege of the affluent, not of the economically deprived. The deprived serve more as human quasi-robots of a system geared to serve the interests of the ‘haves’.

In Cojimies, the struggle for significant democracy would appear to have been already lost, as the community wallows in a political and economic vacuum. The electoral system is virtually meaningless. In Salcocha and Pampa, the outlook is somewhat better—by virtue, in part at least, of economic democracy which seems to be both more productive and more equitable in its distribution of local wealth. But the picture is by no means rosy as far as the broader hopes for democracy are concerned.

The Salcocha cooperatives continue to provide jobs, both direct and indirect, and the economic activity serves as a barrier between hope and the despair of Cojimies. The future is not particularly secure, however, as markets are threatened and the impact of

the neo-liberal reforms continue to introduce competition that threatens the survival of the economically democratic enterprises that have proved so promising. As Clyde Prestowitz observes in *Rogue Nation*, The biggest problem...is simply that many do not see...globalization as working for them (2003: 78).

In Pampa, the long-term sustainability of the PSMCE is also threatened by competition from outside the community, often regarded by Pampanians as unfair because of incentives provided to foreign firms, sometimes by the home government and otherwise by the national government, in order to stimulate investment. Moreover, changing attitudes lead some of the community's younger people coming out of business schools and universities to promote privatization and the elimination of social services in the interests of efficiency and profitability. If such happens, then the synergies and services developed within the community's economic democracy are likely to disappear and with them the solidarity which has sustained Pampa to this point. This would strike a serious blow since it is precisely in communities such as this that civic democracy, the form most evident among the underprivileged, has its firmest roots.

As J.K. Galbraith so eloquently pointed out in his analysis of Germany during the period of the Weimar Republic, "There are economic strains that democracy cannot survive (1994: 110)." Similarly, referring to the role of economic policy decisions by the Allied powers during the same period and their causative responsibility for much of the chaos and destruction that eventually followed, he spoke of the "primal role of stupidity in shaping the course of history (135)". Galbraith's caution, as well as the signs of a revival of the Shining Path in Peru, increasing political fragility in Ecuador, and a fundamental turning back of the clock in Guatemala, serve to underline the necessity of vision and wisdom in prescribing formulae for so-called Third World countries. Again Galbraith: "Political voice and participation are the solvent of tension; when these are not available, violence becomes the alternative (244)."

If some broad form of democratization is to be sustainable in Latin America and if a relapse into less desirable forms of government or resurgence of violence is to be

avoided, it will be highly important for foreign governments and international institutions to revisit and fundamentally revise the adjustment programs that have been, and are still being, imposed. While the political and civil and economic components of democracy can attract broad support at the grassroots, their attraction has been largely neutralized by the elimination of social support systems and the imposition of one-size-fits-all reforms deriving from an almost religious-like devotion to certain ideological tenets. While upgraded education systems are a principal need (“Education not only makes democracy possible; it also makes it essential (Galbraith, 1996: 71).”), investment in health and commitments to providing a minimally reasonable standard of living are also essential. Similarly, appropriate legal and financial frameworks supporting the efforts of communities such as Salcocha and Pampa need to be put in place to facilitate their viability and to offset the impact of the shortsighted and more injurious neo-liberal reforms.

Cojimies, Salcocha and Pampa are only three of the many faces of Latin America. Yet they represent in graphic form the hope and the despair. There can be little doubt that by creating conditions in which the civic democracy of a Salcocha or a Pampa can strengthen and flourish, and economic democracy given a fuller chance to draw out and take advantage of existing community resources, the broader goal of building a strong national democracy will be facilitated. Conversely, the withering away of these developments and further impoverishment of the population will almost certainly lead to the despair of a Cojimies—with whatever consequences that might hold for the political future.



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