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Asst. Secretary Of State Abrams: Latin America Not Realizing Potential Due To Mercantilist State Policies, Feudalism

by John Neagle

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According to Asst. Secretary of State for Inter-American Affairs Elliott Abrams, most of Latin America has not developed its full economic potential due to the continuity of "feudal" and "mercantilist" relations. In a May 1 speech at the annual meeting of the American Association of the Latin American Chamber of Commerce in Washington, Abrams said prosperity will arrive in Latin America when governments transform their respective societies via free market economic policies. The State Department official emphasized that Latin American societies are not competitive, and their traditions are authoritarian rather than democratic. The poor, he said, suffer from mercantilist policies and the stagnation produced by the rich and powerful who benefit from the same. The rich and powerful, he added, are defending the remnants of virtually feudal social and economic relations. Most of Abrams' speech was dedicated to outlining the ills of Latin American economic policies since WWII, under the direction of the "mercantilist state." According to Abrams, history proves that no system is more effective than democratic capitalism in the creation of poverty-free societies without poverty. Many Latin American nations, however, are ruled by an elite of bureaucrats, politicians and mercantile interests that oblige their nations to continue being antiquated societies, and thus preventing them from realizing their potential. The "mercantilism" which suffocates the spirit of enterprise in Latin America, said Abrams, is evidenced in vast networks of regulations, decrees, orders and tariffs. In its attempts to promote domestic industrialization, but in the interests of the privileged who benefit from state actuation, the mercantilist state impedes the integration of the nation into the world economy. This type of state, said Abrams, constitutes a threat to the nation. While allowing that the state has played a role in promoting industrialization, he asserted that its "futile search for self-sufficiency" has condemned the nation to unnecessary levels of dependency and stagnation. Thus, for Abrams, import substitution industrialization strategies would have been discredited long ago were it not for the "mercantilist state." State actuation to protect national industries in Latin America has led to the establishment of high tariffs which in turn have produced the distortion of economic development and limits to growth. This behavior, he said, is characteristic of the mercantilist state. "By definition, mercantilism is opposed to free trade." Abrams then criticized Latin American governments' controls of interest rates, wage levels and consumer prices. Interest rate controls which lead to real negative rates, he said, have prompted capital flight. State-run companies were also defined as part of the mercantilist "panorama," and charged with feeding corruption, and draining the country's financial and natural resources.

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