

**Latin America's Twenty First Century Capitalism**  
**and the US Empire**

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**Political Power and the World Market**

The twin nemesis of Latin America's quest for more equitable and dynamic development, US imperial and local oligarchic power have been subject to profound changes over the past decade. New capitalist classes both at home and abroad have redefined Latin America's relation to world markets, seized opportunities to stimulate growth and forged cross class coalitions linking overseas investors, agro-mineral exporters, national industrialists with a broad array of trade unions, and in some countries peasant and Indian social movements. Parallel to these changes in Latin America, a new militarist and financial political configuration engaged in prolonged wars, colonial occupations and widespread speculation has weakened the structural economic links – dominance – between US imperial economic interests and Latin America's dynamic socio-economic classes.

In the present conjuncture, these basic changes in the respective class structures – in the US and Latin America – define the contours, constraints and 'reach' of the imperial classes as well as the potential autonomy of action of Latin America's leading socio-economic classes.

Notions which freeze Latin America in a time warp such as "500 years of exploitation" or which conflate earlier decades of US political-economic dominance with the present, have failed to take account of recent class dynamics, including popular insurrections, mass electoral mobilizations and failed imperial-centered economic models which have redefined the power equation between the US and Latin America. Equally important, fundamental changes in market relations and market competition has lessened US influence in the world market and opened major growth opportunities for new and established sectors of Latin America's capitalist class, especially its dynamic export sectors.

Understanding imperialism, especially the US variant, requires focusing on class relations,

within and between countries and regions, the changing balance of power as well as the impact of fundamental changes in world market relations. Equally important the private economic institutions of imperialism (banks, multi-national corporations, investors) are contingent on the composition and policies of the imperial state. Insofar as the state defines its priorities in military and ideological terms and acts accordingly, by channeling resources in prolonged wars, the imperial policymakers weakens their capacity to sustain, finance and promote overseas private economic interests. As we shall analyze and discuss in the following sections, the US has suffered a relative loss of political and economic power over key Latin American regimes and markets as its military commitments have widened and deepened over time. The result is a Latin American political configuration which has changed dramatically over the past two decades.

### **Latin American Political-Economic Configurations and US Imperialism**

The upsurge of social movements, the subsequent ascent of center-left political regimes, the dynamic economic growth of Asian economies and the consequent sharp increase in prices of commodities in the world market has changed the configuration of political power in Latin America and between the latter and the US between 2000-2010.

While the US exercised almost absolute hegemony during the period 1980-1999, the rise of a militarist caste promoting prolonged imperial wars in the Middle East and South Asia and the rise of relatively independent national-popular and social-liberal regimes in Latin America has produced a broad spectrum of governments with greater autonomy of action.

Depending on the criteria we use, Latin American countries have moved beyond the orbit of US hegemony. For example, if we examine trade and investment, all the major countries, independent of ideology, have to a greater or lesser degree diversified their markets, trading and investment partners. If we examine political alignments, we find that all the major countries have joined UNASUR, a regional political organization that excludes the US. If we examine policy divergences from the US on major regional issues, such as the US embargo on Cuba, its efforts to isolate Venezuela, its proposed military bases in Colombia, Washington remains in splendid

isolation, to the point that the new Colombian President Santos, chooses to “postpone” implementation in favor of maximizing billion dollar trade and diplomatic ties with Venezuela. If we focus on ideological divergence between the US and Latin America, particularly on global issues of free trade, military coups and intervention, we find a variety of positions. For example, Brazil opposes US sanctions against Iran and supports the latter’s program of uranium enrichment for peaceful uses. If we focus on joint US-Latin American military exercises and support for the Haitian occupation, most Latin countries – with the exception of Venezuela – participate. If we examine the issue of bilateral trade and regional trade agreements, the US proposals on the latter were voted down, while several countries pursue (so far with little success) the former. On a rather fluid measure of ‘affinity for neo-liberal’ ideology, in which a mixture of elements of statism, deregulated markets and social welfare co-exist in varying degrees, we can draw up a tentative 4 fold division between “left”, “center left”, “center right” and “right”.

On the “left” we can include Venezuela and Bolivia which have expanded the public sector, economic regulations and social spending. On the “center-left” we can include Argentina, Brazil and Ecuador which have increased social spending, public investment and increased employment, wages and reduced poverty, while vastly increasing private national and foreign investment in agro-mineral export sectors. On the center-right we can include Uruguay, Chile and Paraguay, which embrace free market doctrines, with mild poverty programs and an open door to foreign investment. On the right we find Colombia, Panama, Costa Rica, Mexico, Peru, Honduras, Haiti, the Dominican Republic, all of whom line up with Washington on most ideological issues, even as they may be diversifying trade ties with Asia and Venezuela.

Internal shifts in class power within Latin America and the US have spurred divergences. Latin America has witnessed greater policy influence by a more ‘globalist elite’ less tied to the US, and an emerging ‘nationalist bourgeoisie’, and greater pressure from reformist working class and public employees trade union. In contrast within the US industrial capital has lost influence to the financial sector and exerts little influence in shaping economic policy toward Latin America,

beyond rearguard ‘protectionist’ measures and state subsidies. The US ruling political elite, highly militarized and Zionized, shows little capacity to engage in launching any major new initiatives toward recapturing markets in Latin America, preferring massive military expenditures on wars and paying tribute to their Israeli mentors.

As a result of major socio-political shifts within the US and Latin America and the singular importance of dynamic changes in the world market, there are four axis of power operating in the Western Hemisphere.

- A. The emerging economic power of Brazil and the growth of intra-regional trade within and between Latin American economies.
- B. The dynamic expansion of Asian trade, investment and markets leading to a long term, large scale shift toward greater economic diversification.
- C. The substantial financial flows from the US to Latin America in the form of “hot money” with destabilizing effects, as well as continued substantial investment, trade and military ties.
- D. The European Union, Russia and the Middle East as real and potential influentials in particular settings, depending on the countries and time frame.

Of these 4 ‘vectors of power’, the most significant in recent times in reshaping Latin America’s relation to the US and more importantly in opening up prospects for 21<sup>st</sup> century capitalist growth, is the boom in commodity prices and demand – the dynamic of the world market. On the ‘negative side’, the prolonged US-EU economic crises has limited trade and investment growth and encouraged greater Latin American integration and expansion of regional markets. A serious threat to Latin America’s growth, autonomy and stability is found in the US currency devaluation and subsequent overvaluing of Latin currencies (especially Brazil) imposing constraints on industrial exports and prejudicing the manufacturing sector. Equally important US and EU manipulation of interest rates – downward – has driven speculative capital toward higher interest rates in Latin America, creating destabilizing “bubbles” which can derail the economies.

## **US Empire Strikes Back: Protectionism, Devaluation and Unilateralism**

By the middle of 2010 it was clear that the US economy was losing the competitive battle for markets around the world and was unable to reduce its trade and fiscal deficit within the existing global free trade regime. The Obama regime, led by Federal Reserve head Bernacke and Treasury Secretary Geithner unilaterally launched a thinly disguised trade war, effectively devaluing the dollar and lowering interest rates on bonds in order to increase exports and in effect ‘overvalue’ the currency of their competitors. In other words the Obama regime resorted to a virile “bugger your neighbor policies”, which outraged world economic leaders, provoking Brazilian economic leaders to speak of a “currency war”. Contrary to Washington’s rhetoric of “greater co-operation”, the Obama regime was resorting to protectionist policies designed to alienate the leading economic powers in the region.

No longer in a position to impose non-reciprocal trade agreements to US advantage, Washington is engaged in currency manipulation in order to increase market shares at the expense of the highly competitive emerging economies of Latin America and Asia, as well as Germany.

Equally prejudicial to Latin America, the Federal Reserve’s lowering of interest rates leads to heavy borrowing in the US in order to speculate in high interest countries like Brazil. The consequences are disastrous, as a flood of “hot money”, speculative funds flow into Latin America, especially Brazil, overvaluing the currency and provoking a speculative bubble in bonds and real estate, while encouraging excess liquidity and public and private consumer debt. Equally damaging the overvalued currencies price industrial and manufacturing out of world market competition, threatening to “de-industrialize” the economies and further their dependency on agro-mineral exports. US resort to unilateral protectionism tells us that the decline in US economic power has reached a point where it struggles to compete with Latin America rather than to reassert its former dominant position. Protectionism is a defense mechanism of an empire in decline. While Washington can pretend otherwise, the weapons it chooses to arrest its loss of competitiveness in the short run, sets in motion a process of growing Latin America integration and increased trade

with Asian economies, which will deepen Latin America's economic independence from US control.

### **Latin America's Center-Left and the US: Economic Ties Trump Geopolitical Strategies**

The consolidation of Latin America's center-left regimes has had major consequences for US policy, namely a reconciliation between arch-adversary Venezuela and Washington's foremost ally, Colombia. The power of the market, in this case over \$4 billion in Colombian exports to Venezuela, has trumped the dubious advantage (if any) of being Washington's military launching pad in Latin America.

The election of Lula's chosen candidate Dilma Rousseff as President of Brazil, the likely re-election of Chavez in Venezuela and Cristina Fernandez in Argentina, means that Washington has little leverage to reverse the dynamic diversification and greater autonomy of Latin America's leading economies. Moreover, as the political rapprochement between Venezuela and Colombia, including the mutual extradition of Colombian guerrillas and drug traffickers demonstrates, closer economic relations are accompanied by warmer political relations, including a tacit pact in which Colombia abjures from supporting the rightwing opposition in Venezuela, while the latter does likewise toward the Left opposition to Santos. The larger meaning of this obscuring of ideological boundaries is that Latin America's economic integration advances at the expense of US prompted ideological divisions. The net result will be the further exclusion and diminution of the US as the dominant actor in the Southern Hemisphere. At the same time it should be remembered that we are writing about greater capitalist integration, which means the continued marginalization of class based trade unions and social movements from strategic economic policy making positions.

In other words, the decline of US hegemony is not matched by an increase in working class or popular power. As both decline, the big winner is the rising business class, mostly, but not exclusively the agro-mineral, financial and manufacturing elites linked to the Latin American and Asian markets.

The prime destabilization danger now includes US currency wars, the growing potentially

volatile extractive exports and the high levels of dependence on China's (and Asian) appetite for raw materials.

### **Imperial Wars, Free Trade and the Lumpen Legacy of 1990's**

One of the paradoxes leading to the current eclipse of US hegemony in Latin America is found in the very military and economic successes in the 1990's. A broad swathe of North and Central American and the Andean countries has witnessed the rise of what we call "lumpen political-economic power" which has devastated the formal economy and legitimate political authority. The concept of "lumpen" is derived from 'lupus' or Latin for 'wolf' a metaphor for a 'predatory' actor, or in our context, the rise of a political and economic class which preys upon the public and private resources and institutions of an economy and society. The lumpen power elites are based on the creation of a dual system of legitimate and illegitimate political authority backed by the instruments of coercion and violence. The emergence and formation of a powerful lumpen class of predatory capitalists and their accompanying military entourage is what we refer to in writing of the "process of lumpenization". Today "lumpenization" no longer merely entails the overt violent organizers of illicit production, processing and distribution of drugs but an entire array of 'offspring' economic activity (kidnapping, immigrant smugglers, etc.) as well as large scale long term interaction with 'legitimate' economic institutions and sectors, including banking, real estate, agriculture, retail shopping centers, tourist complexes, to name a few. Money laundering of illicit funds is an important growth sector, especially providing important flows of capital to and from major US and Latin American financial institutions. Today over three-quarters of Mexico's territory and governance is contested by over 30,000 organized armed lumpen led by centralized political-economic formations. Central America is a major transit point, production center and terrain for bloody lumpen struggles for power and revenue collection. Colombia is the major center for 'raw material production' of drugs, marketing, and import and export center under the leadership of powerful lumpen capitalists with long standing ties to the governing political, military and economic elite. The lumpen economy has supply chains further south in Peru, Bolivia and

Paraguay and distribution networks through Venezuela and Brazil as well as multi-billion dollar money laundering and financial links in the Caribbean, the US, Uruguay and Argentina.

Several important issues to keep in mind in discussing the lumpen political economy. These include: (1) the growth in size, scope and significance over the past 20 years (2) the increasing economic importance as the 'legitimate' economy goes into crises (both cause and consequence) (3) the increasing public cynicism as previously thought of "legitimate" economic and political actors (capitalists) engage in multi-billion dollar financial swindles and are "bailed" out by political leaders.

The 'boom' in lumpen political-economic growth can be dated to the end of the 1980's and early 1990's, coinciding with several major historical events in the region. These include: the North Atlantic Free Trade Agreement; the US-oligarchy defeat of the revolutionary movements in Central America and the demobilization but not disarmament of the paramilitary and armed militia; the total militarization and paramilitarization of Colombia especially with the advent of Plan Colombia (2001) and the end of peace negotiations; the deregulation of the US financial system in the mid 1990's and the growth of a financial bubble economy.

What is striking about all the countries and regions experiencing 'deep lumpenization', is the profound disarticulation of their economies and smashing of their social fabric due to free trade agreements with the US (Mexico and Central America) and the large scale US military intervention during their civil wars (El Salvador, Guatemala, Honduras, Colombia). The US politico-military intervention left millions without work and worse, destroyed the possibility of reformist or revolutionary political alliances coming to power and carrying out meaningful structural changes. The restoration of US backed neo-liberal-militarist collaborator regimes left the young unemployed peasants and workers with three choices: (1) submit to degradation and poverty (2) emigrate to North America or Europe (3) join one or another of the narco-trafficking organizations, as a risky but lucrative route out of poverty. The timing of the rise and dynamic growth of lumpen power coincides with the imposition of US free trade and political victories in the aforementioned

regions. From the early 1990's forward lumpen power spreads across the region fueled by NAFTA decimating the Mexican small producers and the US imposed Central American "peace accords" which effectively destroyed the chances of socio-economic change and dismantled but did not disarm the militias and paramilitary gunmen.

### **Case Studies of Lumpen Dual Power: Mexico**

Mexico, unlike the other major economies of Latin America did not experience any popular upheavals or center-left electoral outcomes during the late 1990's or early 2000. Unlike Venezuela, Argentina, Brazil, Bolivia and Ecuador, in which new center-left regimes came to power imposing regulatory controls on financial speculation, Mexico witnessed electoral fraud and signed off on NAFTA, deepening its ties to Wall Street. As a result it experienced a series of financial shocks, undermining its capacity to launch a more diversified trading and investment model. Unlike Argentina which launched state directed employment generating investment policies, Mexico, under US tutelage, relied on emigration and overseas remittances to compensate for the loss of millions of jobs in agriculture, small and medium manufacturing activity and retail sales. While popular uprisings and mobilization in Latin America led to the rise of center-left regimes capable of securing greater independence in economic policy from the US and the IMF, the Mexican elite literally stole elections in 1988 and 2006, blocking the possibility of an alternative model. It successfully repressed alternative peasant movements in Chiapas, Oaxaca and Guerrero unlike the successes in Bolivia and Ecuador. While the center-left regimes captured the economic surplus from the agro-mineral sectors and increased public and private investment in production and social spending, Mexico witnessed massive illegal and legal outflows of investments into speculative ventures in the US: an outflow of over \$55 billion between 2006-2010.

Regional migration within Latin America fueled by high growth, led to rising income; overseas immigration depleted Mexico of skilled and unskilled labor; in some cases 'return migration' from the US of deported gang members, with arms and drug networks fueled the growth of lumpen power. With the severe recession, US immigration policy led to the closing of the

border, the massive deportation of Mexican immigrants and the decline of the major source of foreign earnings: remittances. Pervasive and deep corruption throughout the cupula of the Mexican political and economic system, combined with the decline of the legitimate economy, the absence of channels for popular redress and Washington's insistence that militarization and not social investments was the solution to rising crime, led to the huge influx of young recruits to the growing network of lumpen-capitalist directed narco enterprises. With almost all US and Mexican financial institutions and arms vendors as willing partners and an unlimited pool of young recruits with a 'lean and hungry look', Mexico evolved into a fiercely contested terrain between a half dozen rival lumpen organizations, and the Mexican military, with nearly 30,000 deaths between 2006-2010.

### **Lumpenization: Central America**

Drug gangs dominate the streets of the major cities and countryside of all the countries which were militarized during the US backed counter-revolutionary wars between the 1960's to early 1990's. US proxy military dictators and their civilian clients, in El Salvador, Guatemala, Nicaragua and Honduras decimated civil society and particularly the mass popular organizations. In El Salvador over 75,000 people were killed and hundreds of thousands were uprooted, driven across borders or into urban shanty towns. In Guatemala over 200,000 mostly Mayan Indians were murdered by the US trained "special forces" and over 450 villages were obliterated in the course of a scorched earth policy. In Nicaragua, the Somoza dictatorship and the subsequent US financed and trained counter-revolutionary ("contra") mercenary army killed and maimed close to 100,000 people and devastated the economy. In Honduras, the US embassy promoted and financed in-country and cross-border counter-insurgency operations which killed, uprooted and forced thousands of Honduran peasants into exile.

Highly militarized Central American societies, in which US funded and armed death squads murdered with impunity, in which the economy of small producers was shattered and 'normal' market activity was subject to military assaults, led to the growth of illegal crops, drug and people smuggling. With the so-called "peace agreements", the leaders of the insurgents became

“institutionalized” in elite electoral politics, while large numbers of unemployed ex-guerrillas and demobilized death squad militia members found no place in the status quo. The neo-liberal order imposed by the US client rulers with its free market ideology built “fortress neighborhoods”, hired an army of private “security” guards, while the productive bases of small scale agriculture was destroyed. Millions of Central Americans faced the familiar “routes out of poverty”: outmigration, forming or joining criminal gangs, or attempting to find an economic niche in an unpromising environment. Outmigration for semi-educated former members of armed bands led to their early entrée into armed groups, deportation back to Central America, swelling the ranks of narco traffickers in their “home country”. Highly repressive immigration policies implemented in the new millennium closed the escape valve for most Central Americans fleeing violence and poverty. Former guerrilla fighters and their families, abandoned by their former leaders embedded in electoral parties, turned their military experience toward carving a new living, as security guards for the rich, or as armed traffickers competing for ‘market shares’ with and against the discharged death squad militia members.

Between 2000-2010 the annual number of homicides exceeded the number of deaths suffered during the worst period of the civil wars of the 1980s. US imposed peace agreements and the neo-liberal order which resulted, led to the total lumpenization of the economy and polity throughout the region, the practice of electoral politics and even the election of “center-left” politicians in El Salvador and Nicaragua notwithstanding. Lumpenization was a direct consequence of the ‘scorched earth’ and ‘mass uprooting’ counter-insurgency policies which were central to US re-establishing dominance in the region. Economic and personal insecurity and social misery were the price paid by imperial Washington to prevent a popular revolution.

### **Case Study: Colombia**

The ties between the world centers of finance and the most degenerate and blood curdling ruler in the Western Hemisphere were most evident in the slavishly laudatory puff-pieces published in the Financial Times and the Wall Street Journal in praise of President Alvaro Uribe, while over 3

million Colombians were driven off their lands, several thousands were murdered, over a thousand trade unionists, journalists and human rights activists were killed. Two thirds of his Congressional backers were financed by narco-traffickers. Incarcerated death squad leaders identified top military officials as their primary supporters. All of Colombia's Presidents collaborated closely with US military missions and all were financed and associated with the multi-billion dollar drug cartels, even as the Pentagon claimed to be engaged in a "war against drug trafficking".

Landlords and their financial and real estate backers organized private militias, which terrorized, uprooted and killed hundreds of thousands of peasants, others fled to the urban slums, or across the border to neighboring countries. Others joined the guerrillas, and still others were recruited by the death squads and military. With the advance of the guerrilla armies and then President Pastrana's opening to peace negotiations, President Clinton launched a \$5 billion dollar military scheme, "Plan Colombia" to quadruple Colombia's air and ground forces and death squads. With Washington's backing, Alvaro Uribe, a notorious narco-death squad politico, so identified by US officials, took power and launched a massive scorched earth policy, murdering and displacing millions of peasants and urban slum dwellers in an effort to undermine the vast network of community organizations sympathetic to the agrarian reform, public investment and anti-military program of the guerrilla movements.

Mass terror and population flight emptied whole swathes of the countryside; livelihoods were destroyed and landlords in alliance with drug cartel bosses and Generals seized millions of acres of land. For the financial and respectable mass media, the massification of terror mattered not: the insurgents were 'contained', driven back, put on the defensive. They trumpeted the killing of key guerrilla leaders: foreign corporate property was secure. Rule by Uribe, the military and the narco-death squads secured US power and influence and created an ideal "jumping off" location for destabilizing the democratically elected Venezuelan President Chavez. The latter was especially important by the mid 2000's when Washington's internal assets attempted coup and lockout were resoundingly defeated in 2002-03. Having gained strategic territorial advantage over the guerrillas,

Washington in collaboration with Uribe moved to shift the balance of power between the narco-deathsquads and the state: a disarmament and demobilization and amnesty was proclaimed. The result was detailed revelations of the deep structural links between narco-deathsquads and the Uribe police state regime, up to and including family members and cabinet ministers. While ‘nominally’ the cartels are in retreat, in fact, they have become decentralized. Equally important top politicians and military officials continue to collaborate in the production, processing and shipping of billion dollar cocaine exports ... with major US banks laundering illicit funds.

### **Rule of Lumpen-Capitalism in the Imperial System**

Drug trafficking has deep roots in the economies of North and South America and has profound ramifications throughout their societies. One cannot understand the tremendous growth of US banking and financial centers if not for the \$25 to \$50 billion dollar yearly income and transfers from laundering drug funds and double that amount from illegal money transfers by business and political leaders directly and indirectly benefiting from the drug trade. Lumpen capitalists, their collaborators, facilitators paramilitary mercenaries and military partners play a major political role in sustaining the imperial system. Washington’s major influence and principle area of dominance resides in those countries where lumpen power and death squad operations are most prevalent, namely Central America, Colombia and Mexico. Both phenomena are derived from US designed ‘scorched earth’ counter-insurgency strategies that prevented alterations, modifications or reforms of the neo-liberal order and blocked the successful emergence of social movements and center-left regimes as took place in most of Latin America.

The contemporary imperial system relies on lumpen capitalists, their economic networks and military formations in practically every major area of conflict even as these collaborators are constant areas of friction.

As in Afghanistan and Iraq today and in Central America in the recent past and in Latin America under the military dictatorships, the US relies on drug traffickers, military gangsters engaged in extortion, kidnapping, property seizures and the pillage of public property and treasury

to destroy popular movements, to divide and conquer communities and above all to terrorize the general public and civil society.

The singular growth of the financial sector especially in the US is in part the result of its being the massive recipient of large scale sustained flows of ‘plunder capital’ by lumpen rulers and their economic partners via ‘political crony’ privatizations, foreign loans which never entered the local economy and other such forms of pillage characteristic of ‘predator’ classes.

The deep structural affinities between Wall Street speculators and Latin lumpen-capitalists provided the backdrop for the ascendancy of a new class of lumpen financiers in the imperial financial centers: bogus bonds, mortgage swindles, falsified assessments by stock ratings agencies, trillion dollar raids on state treasuries define the heart and soul of contemporary imperialism.

If it is true that the promotion and financing of lumpen warlord capitalists was an essential defense mechanism at the periphery of the empire to contain popular insurgencies, it is also true that the growth of lumpen capitalism severely weakened the very core of the imperial economy, namely its productive and export sectors leading to uncontrollable deficits, out of control speculative bubbles and massive and sustained reductions of living standards and incomes.

Lumpen classes were both the agencies for consolidating the empire and its undoing: tactical gains at the periphery led to strategic losses in the imperial centers. Imperial policymakers resort to terrorist formations resulted from their incapacity to resolve internal contradictions within a legal, electoral framework. The high domestic political cost of long term warfare led inevitably to the recruitment of mercenary lumpen armies who extracted an economic tribute for questionable loyalty. Lacking any popular constituency, mercenary armies rely on terror to secure circumstantial submission. Having secured control, local warlords preside over the rapid and massive growth of drugs and other lumpen economic practices.

The alliance of empire and lumpen capitalists against modern secular and traditional insurgencies, brings together high technology weaponry and primitive clan based religious-ethnic racists in Iraq and Afghanistan and deracinated psychopaths in the case of Colombia.,Mexico and

Central America.

For Washington military and political supremacy and territorial conquests take priority over economic gain. In the case of Colombia the scorched earth policy undermined production and lucrative trade with Venezuela. Imperial ascendancy had similar consequences in Asia, the Middle East and Central America.

### **When Lumpen Power becomes a Problem for the Imperial State**

Lumpen capitalism develops a dynamic of its own, independent of its role as an imperial instrument for destroying popular insurgency. It challenges imperial collaborator regimes. It displaces, threatens, or cajoles foreign and domestic capitalists. In the extreme, it establishes a private army, seizes territorial control, recruits and trains networks of intelligence agents within the armed forces and police, undermining imperial influence. In a word lumpen organized military capitalism threatens the security of imperial hegemony: newly emerging predators threaten the established collaborators. The imperial attempts to use and dispose of lumpen counterinsurgency forces has failed; the demobilized paras become the professional gunmen of a “third force” – neither imperial nor insurgent. The decimation of the reformist center-left option, which took hold in Latin America, precludes a socio-economic alternative capable of integrating the young combative unemployed, stimulating the productive economy, diversifying markets and escaping the pitfalls of a US centered neo-liberal order.

The divergence of priorities and strategies between Latin America’s center-left and Washington has as much to do with economic and class interests as it has with ideological agendas. For the US security means defeating the rising power of lumpen military economic formations in their remaining ‘power bases’. For Latin America, security concerns are secondary to diversifying and boosting market shares within Latin America and overseas. Lumpen power is currently under the political control of domestic rulers in Latin America; it is out of control in US clients. The US solution is military; the Latin approach is greater growth; social expenditures and police repression especially in Brazil. The Latin solution has greater attraction, evident in Colombia’s break with the

US military base and encirclement strategy toward Venezuela. Colombia's new President opted for \$8 billion dollar trade deals with Venezuela's Chavez over and against costly million dollar military base agreements with the US.

Clearly the US economic decline in Latin America as a direct result of its reliance on military and lumpen power, is in full force. The driving force of accelerated decline is not popular insurgency but the attraction and lucrative opportunities of the economic marketplace within Latin America and beyond for the local ruling classes. Insofar as militarism defines the policies and strategies of the US Empire there is no remedy for the challenges of lumpen power in its 'backyard'. And Washington has nothing on offer to recapture a dominant presence in Latin America. The world market is defeating the empire. Latin America's twenty-first century capitalists are leading the way to further decline in imperial power.