Consolidating Democracy in Panama: Problems and Prospects

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Draft: Please do not quote.

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The Republic of Panama provides a fascinating case study for the examination of democratic development in a “less developed” country. Like much of the developing world, Panama has a history of colonialism, late independence, and politico-economic dependency. Uniquely, however, Panama is a country in the Western Hemisphere that experienced neo-colonialism for most of its “independence” in the 20th century, owing to the enormous US presence. The Canal Zone represented a US enclave that magnified US military, economic and political power to such an extent that from 1903 to 1979 Panama could be said to have been sovereign in name only. Thus, Panama represents a case study in the developing world where we can observe the influence of both domestic and external factors on the process of democratic development.

I. The meaning and limits of democracy.

Democracy has been defined in many ways and continues to be an elusive concept. Scholars have attempted to define democracy by expressing what is and is not important for the existence of democracy (Sartori 1987, Held 1987). This theorizing has brought us two very different conceptions of democracy. One version is can be labeled liberal democracy, while the other may be called populist or participatory democracy (Riker 1982). Liberal democracy has been deemed to be elitist, because it sees participatory democracy as problematic and values the role of elites as representatives of the people. This view of democracy values the importance of democratic processes more than the involvement of the masses in the political system. Populist democracy on the other hand places a premium on a system where the masses are engaged in the political process. Those who focus on populist democracy assume that popular participation will yield a more just society and thus focus on the “substance” of democracy rather than the process. In short, if a society is highly stratified and resources are concentrated in the hands of a few, then it is assumed that democracy has no substance even if the process is deemed to be democratic. Substantive democracy often requires a populist leader, in Latin America perhaps a modern caudillo, who can express the interests of the masses that feel short-changed by the political process, thus highlighting the link between substantive democracy and populism. We will assume, as most contemporary democratic theorists do, that democratic processes, while never ideal, will yield a more just society than non-democratic processes (O’Donnell, Schmitter and Whitehead 1986).

For decades one definition of liberal democracy has stood the test of time owing to its parsimony. Dahl has argued that democracy, or what he calls polyarchy, is present when two conditions exist in a society (Dahl 1971). First, there must be contestation in the political process. That is to say, people or groups of people must be able to contest for political power and have a reasonable opportunity in achieving such power if they have the support of the majority of the people. Consequently and secondly, virtually all citizens must be able to participate in the political process, if not it would be impossible to determine the political desires of the majority. In order for these two conditions to exist in a society, there must be a variety of guarantees, such as the
right to free speech, competitive elections, the right to organized political, among others. This
definition allows us to also easily express what is not a democracy. A non-democratic system is
devoid of contestation and popular political participation. A non-democratic system exists when
one individual, institution or class with similar interests is able to allocate the values in a society
(Sartori 1987: 182-213). Fascist and communist regimes, for example, do not permit contestation
because only one political party assumes all legitimacy and power. Popular participation is
allowed in these regimes, but such participation never results in a change of political leadership.
On the other hand, dictatorships and military regimes, common in many Latin American countries,
estensively limited both contestation and participation. Not only was it impossible to challenge
the authority of the dictator or the armed forces, but political parties and popular organizations
were routinely proscribed and repressed by these regimes (Collier 1979, and Linz and Stepan
1978).

While democracy as defined above is appealing for a variety of reasons (Mueller 1999),
we must highlight the shortcomings of liberal democracy, since its limitation may affect its long-
term survival. Despite its benefits, liberal democracy is a political system that allows for limited
mass political participation and for elite contestation. As such, in such a democracy the masses
will never be truly immersed in politics and will thus never really directly determine their future.
Even though there is good reason to believe that populist democracy can never be practical or
possible, it nevertheless is the case that liberal democracy will always leave large segments of the
masses and counter-elites dissatisfied. Consequently, populist leaders will always appear in
democratic systems in societies with deep class, racial or ethnic divisions. Likewise, liberal
democracy, despite its homage to popular sovereignty, gives elites a great deal of political clout.
Because democratic societies allow economic elites to thrive, powerful economic forces will
always have a great deal of influence. In developing societies, where class divisions are deeper,
populist leaders will appeal to the masses as bulwarks against the power of the economic elite. It
should be obvious then that democracy’s allure, and consequently its likelihood of consolidation,
is directly linked to economic development. In a society where democratic processes exist, but
where wealth is limited, more problems maintaining procedural democracy will arise than in a
society where democracy exists along side prosperity. In poor societies then democracy is less
likely to become consolidated and is more likely to slide into populist democracy or even
authoritarianism. Additionally, in poor societies the masses and the middle class can more quickly
loose their allegiance to procedural democracy, because it cannot guarantee prosperity. The
greatest threat to democracy in Latin American, then, may stem not from a lack of support for
democratic values but from democracy’s own limitations.

II. Preconditions for democracy.

For several decades, scholars have attempted to discover the causes or origins of
democracy. Beginning in the late 1970s, democracy began to return to Latin America, after a
dark authoritarian period. The new democratic transitions in the region spurred a large body of
academic work on the causes and preconditions of democracy. After democracy seemed to have
swept over the region like a tidal wave (Huntington 1991), scholars turned to a focus on the
consolidation of democracy, arguing that the factors that led to democratic transitions were not
always the same as those that led to democratic consolidation. We have learned a great deal from
this research on democratization and can employ its findings to better understand why the nations of Latin America transitioned to democracy beginning in the late 1970s and whether these transitions will eventually lead to democratic consolidation.

A. National and Elite Unity.

For any society to progress and to establish a working political system, a certain degree of unity must be present. National unity therefore is a precondition of any stable political system, including a democracy (Rustow 1970). In a society where there is little national unity, it is unlikely that a democracy will exist because competing economic classes, ethnic groups or races will be reluctant to turn political power over to the majority. In divided societies, unity or order will most likely have to be created by force and thus authoritarianism will be the most likely form of government. Authoritarian political systems will therefore impose or attempt to create an artificial unity. Totalitarian systems were more sophisticated than most dictatorships or military regimes in that they used ideology to unite the masses and garner support for the state and its policies. Although force was used to prevent dissent, the focus was on creating an allegiance and united citizenry through socialization and propaganda. Autocracies and military regimes, however, tended to rely more on repression than ideology to achieve unity. While democracies also employ ideology to achieve unity, a great deal of allegiance to the system is achieved through legitimacy derived from citizen’s ability to participate in the system and to contest political power. Therefore support for the system is obtained from the inherent qualities of the system itself. Democratic theorists assume then that democratic rule will generate a high degree of unity and allegiance among the citizenry, while authoritarian systems run the risk of eventually losing popular support.

For a stable political system to exist there must also be unity among the ruling elite. Unity appears to be present in authoritarian systems because a particular elite faction has taken the reins of power and created an environment where contesting power becomes too costly. The outcome is that most elites cooperate with the ruling faction to safeguard their vital interests. Authoritarian regimes received the cooperation of non-ruling elites because their interests were not challenged or because the authoritarian ruling faction was actually working to preserve their interests. The authoritarian military regimes in Latin America in the 1960s and 1970s, for example, received support from non-ruling elites and even the middle classes because those groups/classes believed that the generals could protect their interests. Only after the generals proved to be poor political leaders and threats to stability were eliminated did the abuses of these regimes seem unacceptable and these factions began to challenge the legitimacy of the praetorian regimes they had previously supported.

Democracy then is more likely to emerge when there is national unity and elites believe that contestation and participation are principles that are conducive to the maintenance of their interests. As Higley and Gunther argue:

… a consolidated democracy is a regime that meets all the procedural criteria of democracy and also in which all politically significant groups accept established political institutions and adhere to democratic rules of the game (1992: 3).
The above preconditions for democracy seem intuitively obvious. The more difficult questions are, what conditions lead to national unity and to lead to an elite consensus on democratic principles?

National unity is most likely to exist when a population is relatively homogeneous. When significant racial, ethnic and economic differences exist divisiveness is common and unstable conditions ensue. Perhaps the best manner in which to create homogeneity in a diverse society is through public education monitored by a strong state. The stability found in many of the world’s developed nations may be attributed to the ability of a powerful state to socialize its citizens over a long period of time. The United States for example is a crazy-quilt of races and ethnicities, yet national unity has been achieved through socialization. Weak states on the other hand will have more difficulty creating national unity. National unity can also be achieved in the face of an external or common threat. And, as we pointed out above, unity can be the product of a democratic system that allows all citizens, regardless of ethnicity, race, or economic class, to participate in and contest the political system, whether individually or within groups.

Elite consensus that leads to democracy results when all elites are convinced that democratic principles are the best way in which to preserve their interests. Elites therefore must become convinced that popular participation and contestation will not only not hurt their interests but in fact will preserve their interests better than any other system. Democratic transitions can occur when elites believe that democracy is good for them at a particular juncture, but democracy can be consolidated only after elites are convinced that contestation and participation are clearly in their long-term interests. Burton and Higley have argued that societies move from a primitive condition of elite disunity to a more advanced stage of elite unity (1987). However, in any society unity may be disrupted by the rise of a new elite (Mosca 1939). In Latin America, many societies enjoyed a period of elite unity after independence, when relatively unified oligarchies controlled politics. However, when mass movements emerged in the 20th century, that unity was shattered and oligarchs decided whether to incorporate new elites and groups into the system or to repress these new forces. Mosca argued: “If a new source of wealth develops in a society, if the practical importance of knowledge grows, if an old religion declines or a new one is born, if a new current of ideas spread, then, simultaneously, far-reaching dislocations occur in the ruling class (1936: 65).” Elite unity therefore is always subject to deterioration and even collapse. The nascent democracies of Latin America are more likely to suffer from elite disunity than more advanced democratic societies, for reasons that we will discuss below.

Many factors can contribute to the establishment of elite unity. First, it should be evident that elite disunity can lead to conflicts that in the long-run hurt elite interests. Burton and Higley have pointed out that intense and unresolved conflict should be considered as an important precondition of elite unity, since elites learn over time that internecine conflict is detrimental to their interests (1987). Mass mobilizations also tend to galvanize elites, in that they respond to pressures from below by unifying their efforts in order to keep the masses from demanding too much. Unfortunately for democratic prospects, when there is mass mobilization elites tend to unify in order to repress or stem popular demands, rather than to promote contestation and participation. External threats can also compel elites to work together to defeat a common, foreign threat. However, external forces can also divide national elites. In the 20th century,
ideological conflicts between democracy, fascism and communism replicated themselves in almost all nations on the globe, leading to domestic as well as international conflicts. Ideological consensus will unite an elite, since shared values will minimize conflict. In sum, elite unity will most likely be present in societies where there is little internal conflict, where the masses are relatively demobilized or pacified, and where elites share common values. If a foreign threat exists, then the likelihood of unity will increase. However, if external conflicts permeate a particular society, divisions will emerge. Elite unity however does not necessarily have to result in the establishment of a democratic regime. Other factors must be present for democracy to appeal to elites.

Here external forces can once again be very important. At the beginning of the 21st century, democracy is almost universally considered as the most legitimate form of government. Most societies are under a great deal of international pressure to establish democratic forms of government. There is no doubt that in the 1980s and 1990s, US policy promoted the establishment of liberal democratic regimes in Latin America. However, in the 1900s elites in Latin American where influenced greatly by fascist and socialist ideas, thus making elite unity less likely. External forces then can either unify or atomize elites, depending on the characteristics of those forces. At the beginning of the third millennium, democracy appears to be the only game in town and formerly authoritarian nations are under considerable pressure to democratize. At the same time, international economic forces calling for capitalist reform in the developing world are generating conditions that could prove to be divisive if inequality persists in these societies.

Elites learn to accept democracy not just because other nations are adopting it as their form of government. Elites over time learn that the adoption of democratic principles does not result in the destruction of their way of life or their power and influence. They may lose some control in a liberal democracy but their vital interests are preserved. Contestation allows for rival elites to have a say in public policy and therefore diffuses potential conflict that could hurt elite interests. As Pareto pointed out, circulation of elites is vital for the preservation of stability (1935). Popular participation, elites learn, pacifies the masses while keeping extremist arguments from winning the day. Dahl has admitted that democracy does not necessarily result in a substantive improvement in the lives of the poor but does result in a feeling that people are having a say in politics (Dahl 1971). Once elites learn that democracy preserves their interests, while at the same time promoting stability and legitimacy, they will tend to embrace the principles of contestation and participation.

Elite unity is also achieved by violence. When threatened by a counter-elite, especially those who appeal to the masses, elites will most likely lash out to destroy those disaffected factions. Over time, the counter-elite may be decimated and eventually disillusioned. During the 1960s and 1970s when insurgencies were common in most of Latin America, military regimes virtually eliminated Marxist insurgents and “fellow travelers,” thus helping to create more of a consensus through the elimination of a dissenting elite. In addition, those counter-elites where inspired and assisted by socialist countries that provided an alternative model to democracy. Once that support evaporated and the socialist model lost its appeal, the consensus toward democracy grew stronger. Similarly, once the communist “threat” was eliminated, military
regimes seemed less useful and praetorianism based on national security doctrine lost its legitimacy. In sum, the elimination of counter-elites can assist in manufacturing unity.

B. Structural Factors.

Scholars have also identified some important structural/contextual factors that influence the development of democratic politics. For decades developmentalists have argued that socioeconomic development increases the chances for democracy to emerge (Lipset 1959). Although criticism existed for some time, even scholars who attacked developmentalist ideas have recently conceded that socioeconomic development is closely associated with the inauguration of democracy (Rueschemeyer, Stephens and Stephens 1992). The notion that economic and social development is related to democratic politics is logical for several reasons. First, an expanding and modernizing economy is more likely to generate a more diverse elite and to augment the development of a middle class. Such increased plurality of interests and political power will yield a society that demands inclusion into the political system. As Latin America became more diverse economically in the 1900s, more and more groups demanded a part of the political process, resulting in social movements that manifested themselves in nationalist and populist politics. Likewise, social development, leading to greater educational opportunities, yielded a citizenry that demanded more political participation. Thus, new elite factions along with a larger middle class and greater popular participation led to a plethora of demands placed upon the traditional ruling oligarchy. At first the oligarchs tended to resist and repress, but eventually they found that allowing for contestation and participation would calm the masses, the middle sectors and new elites.

Employing class analysis, some scholars have also found an important connection between socioeconomic change and democracy in Latin America. Paige has found that democracy is almost impossible when a society is controlled by a traditional landed elite (1997). Similarly, Rueschemeyer, Stephens and Stephens, after studying democratic development in advanced capitalist countries and in Latin America, concluded that “... landed upper classes which were dependent on a large supply of cheap labor were the most consistently anti-democratic force (1992: 8).” Since Latin America’s colonial legacy was one of centralized economic and political structures, where landed elites held a preponderance of power, democratic politics have come relatively slowly to the area (Veliz 1979). However, as the societies in the region developed socially and economically, in many cases leading to the diminution of the traditional landed oligarchy, democratic politics have become much more likely.

Scholars have also pointed out that national divisions militate against democratic development. As pointed out above, if racial or ethnic divisions fracture a society, democracy will take longer to develop, because groups will lack trust in each other. Also, if the elite views itself as different racially and ethnically from the rest of the population or the masses, then they will be hesitant to allow for participation. Democracy can have a good chance of becoming consolidated only if diverse groups have some common bond and have trust in each other. While many observers see Latin America as relatively homogeneous, owing to a shared culture, history, and language, ethnic and racial divisions are strong in this region. Most of the countries have populations whose racial and ethnic makeup is diverse enough to hinder democracy’s chances for
survival. For example, most countries have a small percentage of the population of European origin. Even in a country like Cuba, which has experienced a social revolution, the elite tends to be predominantly of European descent. In every country of the region, this small group holds a preponderance of political and economic power. The majority of the population in most of these countries is of mixed race, either mestizo, mulatto or both. Additionally, many countries in the region have significant portions of the population that can be classified as indigenous, as in Ecuador, Guatemala and Peru, or of African descent, like in Brazil, Cuba and Panama. These divisions not only hinder the chances for national unity but also make the elite fearful of democracy. The small Euro-elite who hold the levers of power, have been very hesitant to allow for contestation and participation, lest the masses desire retribution, power and wealth. Once they begin to understand that liberal democracy yields greater tranquillity and preserves their interests, these elites quickly begin to embrace democratic principles.

Democracy then is most likely to emerge when four general conditions exist in a particular society:

1. The citizenry must have a sense of unity or nationalism or no stable political system can triumph. For democracy to be adopted that citizenry must have a desire to participate in politics and not be simply what Almond and Verba long ago described as parochials or subjects (1963).

2. Elites must be unified as well, and must be convinced that democracy preserves their interests. Only then will elites allow for both contestation and participation.

3. The society in question must have reached a minimum level of socioeconomic development, but more importantly that development must result in the virtual elimination of the traditional landed elite’s monopoly over political and economic power.

4. Ethnic and racial divisions must become ameliorated so that people will trust each other and elites will not feel threatened by the incorporation of “others” into the political system.

While the conditions necessary for democratic development may be generalized to all countries, both the timing of democratization and where a nation-state fits in the international power structure can significantly affect the democratization and consolidation process. Great Britain for example began to accept contestation and participation earlier than other nations. External influences therefore were less important for states that democratized first since democratic models that could be imitated where not available. Similarly, Great Britain’s national development was influenced principally by domestic forces. Nation-states that democratized later, however, like the countries in Latin America, have been influenced by the models provided by the early democratizers and by their subordinate economic and political position in the international system.

In Latin America and in Panama specifically, the United States and international economic forces have influenced and can influence greatly the domestic politics and the societal structures
of the nations in the region. It follows then that a subordinate nation-state’s ability to
democratize can depend heavily on the actions of a regional hegemon. Such influence may be
direct or indirect. For example, the hegemon can officially, through foreign policy, attempt to
promote the development of democratic politics, as the United States did with President
Kennedy’s Alliance for Progress. The Alliance, whether successful or not, was an overt attempt
to promote democracy in Latin America, using developmentalist social science theory. Indirect
influence occurs when a hegemon’s actions create a social context that either hinders or supports
democratic development. When the US government assisted the US-based United Fruit Company
and Guatemalan elites in their struggle against President Arbenz’ democratic government,
Washington essentially promoted the survival of a feudal economic system led by a traditional
landed oligarchy and the development of a large, highly trained armed forces, thus minimizing the
prospects for democratic development.

The argument here is that a hegemon, because of its overarching influence, can have a
strong effect on those factors that promote the transition to and consolidation of democracy. A
hegemon can affect national and elite unity. A hegemon can actually affect the ethnic and racial
makeup of a society, as the United States did in Panama. A hegemonic international context can
affect the development of political institutions in a subordinate state by promoting one group over
another. In short, in an international system that is hegemonic, the actions of the hegemon must
be considered as an additional factor when attempting to understand the forces that promote or
militate against democratic development.

A hegemonic power will take actions that may not be conducive to democratic
development in a subordinate state in order to maintain its power and influence. Clearly, a non-
democratic hegemon would not promote democracy. The Soviet Union for example promoted
political systems that were led by one political party and that proscribed an autonomous economic
elite. Studying the actions of the United States, is more interesting in that we are able to see how
well a democratic hegemon promotes democracy in subordinate states and we can see how the
actions of a democratic hegemon affect democratic development in subordinate states.

III. Democratic Consolidation.

The inauguration of a democracy does not guarantee its consolidation. We can look at a
particular transition and estimate whether conditions conducive to democratic development, such
as elite unity, are present, but a democracy will have better chances for longevity if other
conditions are also present. The literature on democratic consolidation has directed our attention
to the importance of institutions, such as regime design, political parties, and private voluntary
associations. If preconditions provide a favorable environment for democracy, these institutional
structures provide the skeleton that supports a democracy.

The existence of democracy itself may be the best guarantors of democratic consolidation.
That is, a positive experience with democratic politics will reinforce democratic values among
both the citizenry and the elite. Once democracy proves to be useful then its long-term survival is
enhanced significantly. The longer a democratic system survives the higher the degree of elite
consensus over the democratic rules of the game and the likelier that the masses will view
democracy as the best game in town. Thus the longer democratic institutions persist the greater the likelihood that democracy will become consolidated. But for democracy to persist these institutions must be strong and autonomous so that a democratic regime can weather bad times and resist pressures for non-democratic change.

Most scholars who have studied political parties in Latin America have repeatedly come to the conclusion that parties in most countries are weak and led by personalities. Strong political parties alone will not guarantee the existence of democratic politics, but once a democracy is inaugurated strong political parties will provide a competitive arena for groups and individuals to contest power and participate politically. A procedural democracy cannot exist without the possibility and actuality of an alternation of power. Consequently, at least two, strong political parties must exist for a democracy to have good chances of becoming consolidated. The existence of a dominant political party, like in Mexico, will mitigate the chances of democracy to work. Likewise, the existence of many, weak parties, led by individuals with little popular support, will result in a weak democracy.

Other institutions are important for democratic consolidation as well. A strong legislative branch that is able to achieve relative autonomy prevents the establishment of a “presidentialist” system. Latin American democracies have been heavily criticized for the power of their presidencies. In fact, assertive presidents in Panama, Peru and Venezuela have recently attempted to take on greater power through constitutional reforms.

Two other institutions are important for democracy’s long-term survival: an independent judiciary and independent electoral tribunal. If these two institutions conduct their business with some degree of autonomy from political and economic forces, then both citizens and elites will have some assurance that policies and elections will be carried out fairly and honestly. Only if laws and elections are reasonably beyond reproach will citizens and elites value procedural democracy for the long haul.

Democratic theorists have more recently highlighted the importance of civil society in the “deepening” of democracy. Such a concept acknowledges that a democracy in form can still exist in societies where people do not participate much in the political process. For example, some scholars have become very critical of the recent democratization process in Latin America, suggesting that the inauguration of democracy has significantly changed much in the region. Some of this criticism may in turn be criticized as simply the reflection of a naive assumption that democracy will rid Latin America of its ills and problems once people are allowed the right to participate politically. We must understand, as stated above, that procedural democracy allows simply for elite contestation and limited popular participation. It will not necessarily eliminate racism, economic disparities, corruption and other ills. We must remember that US democracy existed for many years with slavery and limits to voting rights that were inimical for a deeper democracy. And that democracy exists in many developed nations along-side racism and other social pathologies. Nevertheless, in Latin America, democracy will benefit greatly from the mushrooming of private voluntary organizations that can serve as vehicles for popular political participation. Thus, the development of a strong civil society will greatly enhance the chances for democratic consolidation.
IV. Panama’s Experience with Democratic Development.

Panama has had a relatively short history as a nation. Although most countries in Latin America achieved independence in the 1820s, Panama’s independence did not come until 1903, when the US government decided to assist a movement to secede from Colombia. The drama behind Panama’s 1903 independence is reflective of great power politics, since the United States decided to side with the insurgents only because they would most likely give Washington the rights to build a transcontinental canal through the Isthmus. Prior to 1903, under a 1946 treaty, the United States guaranteed Bogota’s sovereignty over the isthmus, thus helping to keep the independentistas at bay.

A. Weak State and Divided Society.

The new independent state was thus limited in its ability to determine its own destiny. The 1903 Hay-Bunau-Varilla Treaty, that gave the United States the right to build a canal, also created a 10-mile wide US Canal Zone that for 75 years effectively limited Panama’s sovereignty and independence. Panama’s state was minuscule in size, thus unable to carry out large nationalizing projects, through public works or education. Early on, the Panamanian government attempted to Hispanicize the nation by “civilizing” the indigenous peoples, but these program never succeeded in eliminating indigenous culture (Pizzurno Gelos and Arauz 1996: 83). To this date, Panama has cohesive indigenous communities, including the well-known Kunas, the Ngöbes and the Buglé (Gólcher 1999). In addition to preserving their cultures, these indigenous peoples, since the Kuna rebellion in 1925, have been able to acquire some degree of autonomy. Thus, from the outset, Panama was unable to create the national unity conducive for the establishment of a stable political system.

The lack of national unity was exacerbated by other factors that were out of Panama’s control. During the building of the Panama Canal, the US government imported thousands of workers from the English-speaking Caribbean, referred to as antillanos in Panama. This mass influx of foreigners during 1903-1914 resulted in the establishment of a large non-Hispanic, black population in Panama. This new group not only made national integration more difficult but generated tensions and mistrust owing to racism. The antillanos were not only black, and thus deemed inferior, but also were given employment in the Canal Zone by the US government, while Panamanians were figuratively and literally left out of the Zone. In addition to the large labor population imported from the Antilles (31,071), the US government brought in labor from many other places, including Europe (11,373) and Latin America (1,237). Only 357 Panamanians labored in the canal and almost all of them were paid under the low-skilled “silver” roll system (See Diez Castillo 1981: 30). This influx of foreigners, along with the existence of a foreign US enclave, made nation-building very difficult for the small, nascent country of Panama.

Compounding these problems, owing to Panama’s strategic location and the building of the Panama Canal, the small nation experienced sizable immigration in the 1800 and 1900s. Panama’s population is truly a mix of ethnicities and races. In addition to the groups mentioned above, Panama is home to immigrants from China, Spain, France, Greece, India, Italy, and Colombia. Panama is also home to a large Jewish community with origins from many nations.
At the beginning of the third millennium, Panama is still a very diverse nation, continuing to attract people from all over the world. Often, the Panamanian, *el panameño*, is lost in the shuffle, and is even difficult to identify. While Panama’s diversity is fascinating and should be celebrated, the weak Panamanian state has been overwhelmed by the small nation’s different cultures, races and identities, making national unity virtually impossible to accomplish. This state weakness helped to serve US interests in the Canal Zone, but militated against Panama developing a strong national identity and strong national interests that could lead to the establishment of a strong and stable state.

Constitutional regimes ruled Panama for many years during the 1900s. However, these regimes could not by deemed to be democratic since contestation and participation were limited, the armed forces, beginning in the 1940s exercised excessive influence, and a relatively small oligarchy controlled the economic and political system. Additionally, Panama’s politics were unduly influenced by the United States. For example, the United States eliminated the country’s military in 1904, virtually disarmed the police in 1914, supervised elections repeatedly, and intervened militarily scores of times. Such a “constitutional” system could in no way be interpreted as a polyarchy, despite the existence of civilian presidents and periodic, if chaotic, elections. This lack of experience with democratic politics meant that the divisions that precluded national unity could not be ameliorated by a political system that allowed all groups to contest power and participate politically.

**B. Panama’s Harried Oligarchy.**

Panama’s oligarchy, though sharing values and riches, was never very cohesive. In the Isthmus’s struggle for independence from Colombia, part of the elite supported Bogota’s rule, while others less connected to the mother region called for separation. Like most independence movements, the rebels believed that the center of power in Bogota took resources from the Isthmus and gave little back. The War of a Thousand days was one of the bloodiest manifestations of these separatist sentiments. By contrast the “war” that won Panama its independence was but a flash in the night by comparison, owing to US backing that prevented Colombia from defeating the weakly armed and funded *independientes*.

Panama’s initial governing junta shared something in common that will forever haunt their legacy: they traded their country’s sovereignty to achieve independence from Bogota. This paradoxical action of patriotism and *entreguísimo*, or turning the country over to foreign interests, has been used by Panamanian critics as evidence that these oligarchs sought independence simply to serve their financial and personal interests. Of course, the members of the junta knew that if Panama was to successfully free itself from Bogota’s rule it would have to have help from the United States. They also knew that help would materialize only if they allowed Washington to have its canal, something Bogota had recently refused. The junta allowed a Frenchman, Phillipe Bunau-Varilla, to represent Panama in Washington because they knew that he had connections that might guarantee US financial and military backing. They were faced with a Hobson’s choice. But the critics are also correct, since these men assumed erroneously that a canal through Panama would bring them tremendous profits and power.
After Panama’s independence, the oligarchy ruled for nearly 40 years, although factions often bickered and invited the US government to interfere on their behalf. Each new election brought to power a member of the oligarchy, men who could trace their lineage mainly to Spain and to old money. The families of the oligarchy were not just genetically European but also shared the old continent’s values and interests. Beginning in the 1920s, however, self-made men who demanded entry into the political system began to challenge the traditional oligarchy. Modernization and economic development, albeit limited, allowed more and more non-oligarchs to acquire both material things and aspirations. Likewise, segments of the masses, particularly the working class, began to sew their oats. Although the Bolshevik revolution ignited laborers and their would-be leaders globally, the Mexican Revolution had a formidable influence on Latin America’s middle classes, workers and peasants. These forces created ever-increasing demands for political inclusion and participation, for democracy.

These socioeconomic and political changes manifested themselves well in two institutions in Panama. Acción Comunal, a nationalist organization, was founded by two brothers, Arnulfo and Harmodio Arias, who became affluent by their own industry rather than by inheritance. These men symbolized the rise of new sources of power in Panama, generating a competing elite that wanted entry into the political system. Since their source of power was not wealth, they appealed to the masses and their nascent sense of nationalism. The target was an easy one: the oligarchy and the United States, who together had used the country for their own purposes. In the 1930s, when the United States was involved in a life and death struggle with fascism, Arnulfo Arias appeared to take the Axis position, no doubt inspired by his own racism toward the antillanos, who were imported by the “gringos.” Washington very quickly, and perhaps with some cause, labeled Arias as a “neo-Nazi.” The goals of Acción Comunal were eventually taken up by panameñismo, also known as arnulfismo. The Arnulfista Party that rules Panama today can therefore trace its roots to Accion Comunal of the 1920s.

Another important institution rose in Panama that would eventually challenge the dominance of the traditional oligarchy -- the armed forces. The United States eliminated Panama’s military in 1904, principally because the 1903 treaty allowed Washington to keep order in the country. In Washington’s eyes a Panamanian military could potentially come into conflict with US interests and goals. However, as labor movements, populist leaders, and nationalist sentiments emerged in Latin America in the 1930s and 1940s, Washington became convinced that order would be maintained more effectively and cheaply by domestic armed forces rather than by the US military, lest anti-Americanism grow in intensity. Also, Roosevelt’s Good Neighbor policy rejected the US intervention sanctioned by the 1903 treaty and by the Panamanian constitution. Consequently, the US government helped to establish a National Guard, as an institution that could keep order when the masses threatened US economic or military interests in

1 I say with “some cause” not to suggest that Arias did not have racist tendencies, but because these same tendencies could be found in most of the United States in the 1930s but no one suggested that Americans were nazis. Since the US was became involved in a very destructive and costly war against the Axis powers, any country or leader who did not join the Allied effort risked being labeled a Nazi. The same would occur during the Cold War, when anyone who did not support US anti-communism would risk being labeled at minimum a communist sympathizer.
Panama. Eventually, this powerful institution developed a great deal of autonomy, not only from the oligarchy but also from the United States (Ropp 1992).

For several decades, the political forces that helped to generate Accion Comunal and the National Guard challenged the traditional oligarchy’s monopoly on power in Panama. They also began to challenge the status quo of a US protectorate in Panama. What eventually became known as Arnulfismo and the National Guard at times joined forces with an awakening population that ached for political participation and nationhood. Thus, students, labor, and professionals became ever increasingly more active politically, demanding incorporation into the political system. In Panama, forces that challenged the oligarchy’s once sacred control over the state, the political process and the economy demanded the right of contestation and participation. These new forces threatened the oligarchy as well as US interests in Panama, which had been protected by the oligarchy.

Just a few examples can highlight the importance and threatening aspect of these forces:

1. In 1931, Accion Comunal helped to carry out a golpe de estado that brought to power Harmodio Arias for a brief period as head of a provisional government, in the first armed insurrection in Panama’s republican history. Harmodio Arias was then elected to the presidency in 1932, bringing to power the first president from outside the traditional oligarchy. Arias negotiated a new treaty with Washington in 1936 that eliminated Panama’s protectorate status and gave the small country some economic concessions. Arias’ regime was able to achieve some bargaining power with Washington owing to the rising Axis threat and the rising threat from the masses and non-oligarchic forces in Panama.

2. In 1940, Arnulfo Arias was elected president, but was removed from office within a year, much to the satisfaction of the oligarchy and Washington. As LaFeber asserts about the importance of Arias’ rise to power: “A fascist charismatic leader of middle-class background appealed across class lines to confront the oligarchs and United States officials with an explosive political program (LaFeber 1989: 75).” US interests were particularly challenged by Arias since he balked at Washington’s desire for over 100 defense sites in Panama. Washington felt that the carrot was not the best option since entry into the World War was on the horizon and Arias appeared much too cozy with Axis thought and interests.

2. In 1947 anti-US demonstrations demanded that Panama’s assembly not approve an accord with Washington that would extend the lease on 14 US military facilities that had been granted to the United States by the post-Arias regime. The assembly, fearing national repudiation, unanimously rejected the deal. First, in 1946, President Enriquez Jimenez had rejected Washington’s desire to extend the lease on over 100 military facilities, then a year later the National Assembly reflected popular expressions and rebuffed the United States. Not only were nationalist sentiments growing in Panama, but the oligarchy was wavering on continuing its practice of entreguismo, fearing that the population would say “enough.”

2 The US Senate did not ratify this treaty until 1939.
3. In 1952, the voters elected president another self-made, non-oligarchic man, Jose Remon, chief of the Panamanian police, who had controlled the political arena since 1948 as a strongman. Very quickly, in 1953, Remon established the National Guard with US cooperation and assistance. The new military would become an important powerbroker in Panama until after the 1989 US invasion, when Washington again played a strong role in eliminating the nation’s armed forces. While Washington favored Remon for his order-maintaining capabilities and propensities, he nevertheless represented nationalist aspirations and non-oligarchic tendencies. Remon carried out many reforms and helped to increase the power of the state. He also demanded more concessions from the United States, leading to the 1955 Remon-Eisenhower Treaty that once again gave Panama additional economic concessions (LaRae Pippin 1964).

4. Anti-US riots erupted in Panama in 1959, ignited by the Canal Zone’s reaction to an attempt by Panamanian students to plant their flag in the Zone. Order was restored only after the National Guard moved to action. In Panama just the symbol of sovereignty, the national flag, inspired anti-US sentiments and actions.

5. In 1964, “flag riots” erupted once more. Only, this time, they were deadlier and carried a stronger portent. They were once more precipitated by a Panamanian effort to fly the county’s flag in the zone, something that President Kennedy had ordered. When the word spread that Panamanian students had been roughed up in the Zone, thousands of people took to the streets in a catharsis of nationalism and anti-Americanism. After three days, 21 individuals lay dead and scores wounded. Since the US army and Zonians were involved, the Panamanian casualties were all quickly attributed to US imperialism (International Commission of Jurists 1964). This crisis was a watershed in US-Panama relations in that it led to a major change the minds of the Panamanian oligarchy and people. Prior to 1964, most Panamanians would have accepted revisions to the hated 1903, but after the riots Panamanians overwhelmingly demanded the abrogation of the Hay-Bunau-Varilla Treaty, generating a great deal of national unity and direction if only on this point.

6. In October 1968, three years after the US government had promised to negotiate a new treaty and only ten days after Arnulfo Arias was elected president once more, the National Guard took power, inaugurating institutional military rule that would last officially until 1984.3 In the 1968 election, once again the traditional oligarchs lost to panameñismo, but this time the military, another non-oligarchic force, decided to take control. We may never know the full story behind this golpe, but it is clear that it signified the increasing importance of non-oligarchic forces, the forging of greater national unity, and the importance of international factors, since US willingness to recognize the military regime was based on a fear that Arias and popular forces would be detrimental to US interests in Panama.

We can see then that Panama’s prospects for democracy from 1903 to 1968 were diminished by several factors. First, the nation was ruled by an oligarchy that rejected contestation and participation. Washington backed this oligarchy for many years until it became convinced that Panama’s elite could not maintain order and control mass mobilization, both of

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3 Elections brought to power a civilian regime in 1984, led by President Ardito Barletta. However, that election was fraudulent and the PDF held the reigns of power until the US invasion in December 1989.
which appeared threat. The US government helped to establish Panama’s National Guard precisely to accomplish these tasks. Eventually, the oligarchy lost control to this newly established constabulary force. These events were obviously not conducive to democratic development either, since General Omar Torrijos’ military rule proscribed political parties and regulated popular participation. Nevertheless, the inclusive military regime established by the populist Torrijos continued the process of incorporating the middle and lower classes into the political system, while at the same time repressing radical forces. For these reasons, the Torrijos regime has been characterized by some as progressive and even Marxist, and by others as a stooge of the US government, since order was maintained so that US interests could be safe (Janson Perez 1997).

Unity in Panama, and thus liberal democracy, was elusive during most of the 1900s. Elite unity was a virtual impossibility in Panama during the 1930s to the 1980s. These were years when the oligarchy was challenged by new, democratic and progressive forces. The international ideological arena witnessed the struggle between democracy, fascism and communism. And a strong military emerged and became too powerful for civil institutions to control. At the same time, Panama had to struggle with a lack of national unity and with varying interpretations of the national interest. Not only did the factors above permeate the entire society thus hindering national unity, Panama’s diversity also militated against the development of national integration. Panama lacked a strong state that could work to ameliorate let alone eliminate these differences. Additionally, Panama’s civilian regimes from 1903 to 1968 were not polyarchic and thus did not help to create legitimacy for the system.

C. Panama’s Relative Prosperity and Class Structure.

If only socioeconomic development and class structure determined democratization, we might very well have expected Panama to develop a polyarchy well before most other countries in Latin America. First, compared to the countries in Central America, Panama has achieved a relatively high level of development. Many democratization studies have concluded that one of the best predictors of democratic development is gross domestic product per capita. Table 1 shows this indicator for the countries in Central America, including Panama.

<table>
<thead>
<tr>
<th></th>
<th>1987</th>
<th>1995</th>
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<tbody>
<tr>
<td>Costa Rica</td>
<td>5,201</td>
<td>7,194</td>
</tr>
<tr>
<td>El Salvador</td>
<td>4,960</td>
<td>7,416</td>
</tr>
<tr>
<td>Guatemala</td>
<td>7,079</td>
<td>9,717</td>
</tr>
<tr>
<td>Honduras</td>
<td>2,844</td>
<td>3,777</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>2,031</td>
<td>2,055</td>
</tr>
<tr>
<td>Panama</td>
<td>5,596</td>
<td>7,077</td>
</tr>
</tbody>
</table>

Source: Interamerican Development Bank, Latin America After a Decade of Reforms (1997).
While in terms of GDP per capita Panama is clearly ahead of only Honduras and Nicaragua, it has kept pace with Costa Rica, a country that has had a stable democratic government since 1948. Thus, by the mid-1980s Panama had reached whatever threshold is necessary for democratic development (Weiner and Ozbudun 1987).

More importantly, Panama’s class structure has been more conducive to democratic development than most countries in Latin America. Since it was never a major center of Spanish colonial power, Panama never developed the centralist political and economic structures common in most of the region (Veliz 1979). Analysts of Panamanian politics have repeatedly pointed out that Panama has been controlled by an urban, commercial elite for most of its history (Conniff 1992, LaFeber 1989, and Soler 1989). Panama then is devoid of the strong, traditional landed oligarchy that has made democratic development difficult in many countries of the region (Paige 1996, Rueschemeyer, Stephens and Stephens 1992). This economic, structural factor, more than any other measure of socioeconomic development, can best predict the likelihood of democratic development. Panama’s economy, as shown in table 2, relies much more heavily on the service sector than the agricultural sector. Therefore, we might have expected Panama to democratize sooner than other nations in the region, owing to the lack of power of the traditional agricultural sector.

On the negative side, Panama’s relative success with socioeconomic development is defused by its high level of inequality. In 1980, inequality in Panama, measured by the Gini coefficient, surpassed all countries in Central America, except for El Salvador (Zimbalist and Weeks 1991: 123). While inequality alone may not prevent the inauguration of democratic government, it will certainly hinder the consolidation of a liberal democratic regime, since participation in the political process may be stymied, national divisions may arise, and populism will appeal to many.

Table 2: Percentage of Panamanian Economy derived from Industry, Service, and Agriculture

<table>
<thead>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>8.7</td>
<td>12.7</td>
<td>12.5</td>
<td>10.0</td>
<td>7.7</td>
</tr>
<tr>
<td>Agriculture</td>
<td>27.5</td>
<td>22.2</td>
<td>14.6</td>
<td>9.0</td>
<td>10.1</td>
</tr>
<tr>
<td>Construction</td>
<td>3.9</td>
<td>5.3</td>
<td>6.7</td>
<td>7.3</td>
<td>2.1</td>
</tr>
<tr>
<td>Services</td>
<td>59.6</td>
<td>59.4</td>
<td>66.0</td>
<td>73.5</td>
<td>80.1</td>
</tr>
</tbody>
</table>


This very brief and broad sweep of Panama’s history and democratic preconditions allows us to look at problems and prospects with democratic development before Panama’s recent 1990 transition to democracy. It should also help us to better evaluate Panama’s prospects for democratic consolidation. Prior to the 1930s polyarchy was not possible because of oligarchic rule and Panama’s protectorate status. After the 1930s, while democratic forces emerged, divisions within Panama plus the oligarchy’s propensity to repress, aided by US hegemonic goals,
resulted in authoritarian rather than polyarchic tendencies. We can see that while Panama’s level of development and class structure were conducive to democratic development, others factors precluded the establishment of polyarchy. First, Panama has suffered from high levels of racial and ethnic divisions that have prevented the country from achieving even a minimal level of national unity. Second, emerging social forces particularly in the 1930s created a high level of elite disunity, leading to instability. Third, international forces, specifically the ideological conflicts between the world’s democratic, fascist and communist states, led to added divisions within the elite and masses in Panama. Obviously these ideological conflicts and divisions were felt all over the world. However, in the developing nations these divisions were particularly destructive owing to the existence of weak states, low levels of national and elite unity, and international forces that intervened in domestic affairs. As a result, democratic development in Panama was virtually impossible before 1990.

D. Panama’s Current Democracy.

1. The Authoritarian Interlude.

The 1968 military golpe eliminated the prospects for polyarchy to develop in Panama in the subsequent years owing to its authoritarian character. However, the inclusive aspect of this military regime assisted in moving the country forward in some forms of participation. The Torrijos regime carried out reforms that incorporated the middle classes and non-oligarchic elements of the population into the system and more substantially into government jobs. As a result some have argued that the Torrijos regime gave more opportunities to the non-white segments of the country’s population. Torrijos’ military regime, then, both hindered and assisted democratic development. On the one hand, the regime eliminated contestation and participation, except for participation mobilized by the state/National Guard. For this, Torrijos and his regime can and should be soundly criticized.\(^4\) One the other hand, Torrijos gave more power to the state, incorporated heretofore marginalized sectors into the political system, and helped to create national unity based on sentiments of sovereignty and national determination. These changes, while not motivated by the goal of establishing a polyarchy, nevertheless created a context whereby polyarchy could later emerge.\(^5\)

Torrijos also restored stability to Panama. The 1960s saw crisis, renewed nationalism and heightened anti-US sentiments. The Torrijos regime put a lid on this renewed instability, through reforms and political repression. His regime’s actions were very consistent with US goals in Panama and have led some to criticize Torrijos as a puppet of the United States and as a tool of the CIA (Janson Perez 1997).\(^6\) These criticisms based mostly on circumstantial evidence cannot be summarily dismissed given the history of US actions in Panama and in Latin America. It

\(^4\) Of course, the United States should also be criticized, since it aided Panama’s military government until 1987 and negotiated a major international treaty with the Torrijos regime.

\(^5\) We should realize though that a democratic reformist government could also have brought about these changes. It is more likely, however, that a strong authoritarian government will have the wherewithal to confront the power of an established oligarchy.

\(^6\) While it is common knowledge that General Noriega was a long-time “asset” of the CIA, it is still uncertain what type of relationship General Torrijos had with the CIA.
should not escape the analyst’s attention that the 1968 golpe came at a very opportune time for preserving US interests in Panama, and also took place when Washington was encouraging and coddling praetorian rule in the Americas for the purpose of containing communism. International competition in the global arena, between the United States and the Soviet Union, helped to heighten elite and national disunity in Panama, as well as in most of the developing world. This competition also prompted Washington to take sides, giving assistance to repressive and conservative elements in Latin America, and thus decreasing the prospects for polyarchy to emerge (Berger 1995, Guevara Mann 1994).

The prospects for democracy in Panama then died in 1968 because of a strong alliance between the US government and the Panamanian National Guard. That alliance was accepted and indirectly assisted by Panama’s oligarchy, despite the fact that they lost their political control. The United States was fearful that another Cuba would emerge in Panama and wanted to stop such an outcome at all cost. Torrijos and his supporters in the National Guard also feared the potential rise of communism in Panama, since in Cuba the traditional military was supplanted by the revolutionary armed forces and thousands of military men were brought to trial. The National Guard also feared Arnulfismo owing to a long-standing rivalry between Arnulfo Arias and Panama’s national police. The oligarchy obviously feared communism since its rise would bring an end to private property and profits. Thus, Washington, the National Guard led by Torrijos, and the oligarchy stood in close ranks to stem popular mobilization that could lead to a second Cuba in Panama. Such a triumvirate was virtually impossible to challenge and was antithetical to the immediate emergence of liberal democracy in Panama. Nothing could be worse for this triumvirate’s interests that the emergence of contestation and popular participation in Panama in the 1960s.

By the time Torrijos died in 1981, the playing field had already changed. The United States had re-negotiated the 1903 treaty with Panama, agreeing to eliminate the Canal Zone, and agreeing to turn the canal over to Panama and close down all US military bases at the end of 1999. The two treaties that restructured the US-Panama relationship had defused anti-US sentiments. Panamanians could feel better about their stronger, more effective and more nationalistic state that no longer seemed to be controlled by the traditional oligarchy. Panama it seemed was ready for a return to civilian, even democratic, rule. General Torrijos, in fact, had promised President Carter to restore democratic government to Panama, as an informal part of the treaty negotiations.

But democracy did not return to Panama as planned. First, the Nicaraguan Revolution of 1979 led Washington to return to its Cold War mentality, focusing on a deja vuesque regional policy designed to at all cost prevent a second Nicaragua. Second, in mid-1983, General Manuel Noriega took control of the National Guard in classic Machiavelian fashion. Noriega’s close working relationship with the CIA and Department of Defense, as well as his interest in keeping the Panamanian military, now called the Panamanian Defense Forces, as powerbroker, eliminated any chances of polyarchy emerging in Panama. Although many US decision-makers naively

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7 The oligarchy was already in retreat, so that military rule appeared to them as the best of two evils: either the generals would rule and preserve the economic status quo as in other nations in the region, or the “leftists” would control, potentially resulting in the advent of socialism in Panama.
wished for a democratic regime to emerge in the isthmus, Washington’s principal goal in the region was to destroy the Nicaraguan revolution and to prevent its replication in Central America. Since Noriega at first cooperated with these goals, Washington supported his “mafiocracy” and said nothing when the Noriega regime stole the 1984 election from Arnulfo Arias.

As is common knowledge, the US relationship with General Noriega turned very sour, leading to a US invasion designed to remove him and the PDF from power. We will not review this fascinating drama here, but will make some observations about the crisis and its effects on Panama’s democratic future. In 1986, with the Iran-Contra imbroglio, Washington became more concerned about its association with the Noriega regime. While Noriega was vital in US Central American security policy, Washington had overlooked his anti-democratic regime and involvement in the illicit narcotics traffic. However, the Iran-Contra hearings exposed much of Noriega’s behavior and helped to reduce the power of the general’s biggest supporters, Under Secretary of State Abrams, National Security Advisor Poindexter, and CIA chief Casey. Additionally, Noriega had also been involved in activities that ran counter to US policy and interests, including cozy relationships with Castro and the Salvadoran Guerrillas, anti-US rhetoric, refusal to re-negotiate US base rights after the year 2000, and the poor distribution of reverted canal zone properties. As the communist threat began to wane, Noriega’s usefulness diminished and his faults became magnified. Washington quickly began to disassociate itself with Noriega, his regime and the PDF. Once that happened, the Congress and the press miraculously began to be bombarded by bad news about the general. Bad press did not soften Noriega’s resolve. The general seemed to be good at taking power, but incapable of giving up control. Perhaps his hesitance was due to fears of what would happen to him once out of power. In any case, the United States, frustrated by Noriega’s refusal to relinquish power after repeated threats and deals, decided to invade the country.

With Noriega’s departure, the prospects for democracy in Panama have improved dramatically for a variety of reasons. Most importantly, the Panamanian military, a principal powerbroker since the early 1950s was eliminated, being replaced by a politically docile police force, called the Public Forces. Since the invasion, Panama has held two fair and free elections, in 1995 and in 1999. The country has also held two important national plebiscites, in 1991 and in 1998, both on constitutional reforms. Since 1990, then, Panama has been able to preserve a procedural democracy that has guaranteed contestation and participation.

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8 Those who are familiar with what has been documented on the Noriega crisis will have no doubt that Washington knew about Noriega’s involvement in the drug traffic for a very long time, even as early as the 1970s when the Nixon administration considered indicting then-Captain Noriega on drug charges.

9 Soon after its demise, a former PDF officer made a weak attempt to reestablish the armed forces, but his efforts were thwarted with some US assistance.

10 One of the reforms in 1991 called for the elimination of Panama’s armed forces. The voters cast their ballots against proscribing the military but the government went ahead and eliminated the PDF anyway. In 1988, President Balladares wanted to amend the constitution so he could run for a second consecutive term in office. The voters overwhelmingly rejected his efforts to seek reelection.
2. Preconditions.

To determine whether Panama’s nascent democracy has good chances for consolidation, we must look at where the country stands at this point in terms of the preconditions for democracy and in terms of the factors necessary for consolidation.

In some respects, Panama has become a more unified and consensual country. The nation’s elite appear to have accepted the values of contestation and participation. Where in the past significant sectors of the elite and population valued military rule, particularly during the Torrijos years, there now appears to be almost unanimous rejection of praetorianism, especially of the negative aspects of the Noriega years. Also, while in the past the oligarchy rejected inclusion and participation, they now seem to accept these aspects of polyarchy, even if somewhat grudgingly. The outcome seems to be a political system where the oligarchy has returned to power but where it has accepted limited popular participation and elite contestation. In effect, the oligarchy appears to have adopted the principles of liberal democracy. At the same time, counter-elites, as well as middle class sectors, have rejected the radical political programs that were popular in the 1960s. Democracy appears to be the only game in town in Panama, at least for the foreseeable future.

Perhaps more importantly, there is a consensus over the economic rules of the game as well. Where once socialism appealed to some sectors of the middle classes and some counter elites, capitalism seems to appeal to all elites and the majority of the masses at this point. Certainly there are criticisms of savage capitalism and populist ideas are still powerful. However, privatization and foreign investment seems to be the default mode for the key political parties, despite some populist rhetoric. This economic consensus, along with the new legitimacy accorded to procedural democracy, has created a rare level national unity for Panama and bodes well for democratic development and for democratic consolidation.

The new consensus has been greatly assisted by the end of US neocolonialism in Panama. While many foreign observers and many Panamanians themselves feared the US exit from Panama, the absence of US military bases and the country’s control of the canal and its adjacent properties, will give the country its first real taste of independence, which can certainly help to build national unity and pride. The US withdrawal will also defuse the harshest anti-imperialistic criticism. We will see that Washington’s concern with instability in Panama will decline now that the main source of that instability, the colonial US presence, has disappeared. History has shown us that the canal was endangered principally when relations between the United States and Panama deteriorated, in 1959, in 1964, in 1978, and circa 1989. The source for these diplomatic tensions was always Panama’s subordinate status vis-à-vis the United States.

The end of the Cold War has also made this new consensus possible and made the US withdrawal from Panama more likely. Now that socialism and single-party communist rule have been defeated by the democratic nations of the world, the developing world has embraced

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11 Critics of the party founded by Torrijos, the PRD, continually point to its ties to military rule. However, the PRD’s current leadership appears to be committed to democratic rule and has distanced itself effectively from its militaristic past.
capitalism and democracy as the best forms of economic and political organization. Barring the rise of a new politico-economic paradigm, elites around the globe will continue to value procedural democracy and capitalism. Nevertheless, populism in the developing world, and thus in Panama, will still appeal to the masses and some elites owing to the unequal distribution of economic, military and political power. The poor in Panama will find populist leaders appealing, especially when those leaders point to the national economic elite’s connections to foreign capital and interests. Consequently, populism or popular democracy will seem as democratic or more democratic than procedural democracy to many citizens of the developing world.

Panama of course still benefits from its class structure. As stated above, the nation has always been dominated by an urban, commercial elite, more sympathetic to democratic values than traditional landed elites, typical in other nations of the region. Additionally, Panama continues to grow economically and stands to enjoy an economic bonanza if it uses US reverted properties wisely. For many years, the common perception was that the US civilian and military presence helped to keep the Panamanian economy afloat. More recently, this perception has been challenged by those who point out that the US presence precluded Panama from taking full advantage of its strategic geographic location. Certainly Panama could not have built the path between the seas, but once the waterway was in place, the small nation could have taken advantage of the canal’s presence in a variety of ways were it not for US control. The large amounts of real estate and buildings that Panama is receiving from the US government can certainly help the nation to develop and diversify its economy to a much greater extent than has been possible in the past.

3. Consolidation.

In addition to more favorable structural-contextual conditions, Panama has enjoyed some recent success with procedural democracy. The nation has maintained a relatively sound democratic process for ten years, holding two national elections and two popular referenda. The democratic process has continued to work relatively well in a nation that has experience dramatic changes and some worrisome problems, such as virtual economic collapse, a foreign invasion, an attempted golpe, contentious negotiations over a continued US military presence, a divisive presidential bid to achieve reelection, continued drug trafficking and money laundering, armed incursions on its southern border, the acquisition of the Canal, and the departure of all US military forces. Rather than pointing to Panama’s problems, we should also marvel at the nation’s ability to maintain a liberal democracy amidst this change and adversity. While this achievement is certainly the result of the favorable international and domestic environment democratic development outlined above, it is also testimony to the Panamanian people’s long-standing desire and struggle for democracy.

After the US invasion, Panama’s government was burdened with a lack of legitimacy and an economy in shambles. Although the Endara government had been democratically elected in a fraudulent election in May 1989, the regime was able to take the reigns of power only because of the US military invasion. US economic sanctions leveled against the Noriega government had devastated the Panamanian economy and the lack of domestic order after the US invasion
prompted extensive looting that led to many more business closures. The Endara regime became simply a caretaker government that paved the way for the first truly democratic election in 1994.

Prior to the 1994 national election, Panama brought before the voters a number of constitutional reforms in form of a national referendum. The idea was a good one, to change the constitution of 1972 that had been promulgated by the Torrijos regime and that still contained what many considered to be anti-democratic elements. The most controversial change, however, called for the elimination of the country’s armed forces. The reforms failed but the referendum was a successful in that the people were consulted in matters of vital interest to the nation. Although, Panama’s citizenry expressed their desire to retain a national military, the Endara government eliminated the PDF, showing the elite’s disdain for the military and demonstrating Washington’s continued influence on Panamanian domestic affairs.

Typical of Panamanian electoral politics, the 1994 national election was contested by many political parties. However, two major forces emerged from the contest: the PRD and the Arnulfista party. The parties of the traditional oligarchy were eclipsed by these two forces and even by a newly founded party, Papa Egoro. All three of these parties represented nationalism and populism. However, all three represented pragmatism as well: a commitment to liberal democracy and an acceptance of capitalism. The PRD emerged victorious and Ernesto Perez Balladares became Panama’s new president, with a real mandate to rule. The PRD distanced itself from its militarist past, embraced neoliberal economic policies, joining the WTO and slashing trade barriers, and began negotiations with Washington for the prolongation of a US military presence in Panama past the year 1999. The party of Torrijos, that once had so antagonized US policy-makers, now seemed to be Washington’s favorite.

Negotiations with Washington turned bitter, however, when the Perez Balladares government decided to not accept a continued US military presence in the form of a Multinational Counternarcotics Center, or the Centro Multinacional Antidrogas (CMA). The bottom line was that Perez Balladares did not have support from even his own political party, the PRD, for such an agreement, so at the last minute he changed his negotiating position adding conditions that he knew Washington would not accept. Tied to his decision was the fact that he desired to amend the constitution so he could run for president in a consecutive term. In order to do so, he needed strong support within the PRD. He eventually failed on both counts, since the CMA went down in flames and the voters in a national referendum overwhelmingly voted NO on the constitutional amendment that would allow presidential reelection.

The referendum set the stage for a second free and fair election. In 1999, the top two political forces were once more the PRD and the Arnulfista party. The election was truly a watershed political event, pitting Mireya Moscoso, the widow of Arnulfo Arias, against Martin Torrijos, the son of Omar Torrijos. Regardless of who won the contest, Panama would enter the third millennium, acquire the canal and witness the final exit of US troops, with an historic if not heroic figure at the helm. History at times is more poetic than fiction. Moscoso, the first woman to be elected president, came out victorious and brought to power the Arnulfista party, giving Panama a much needed alternation of political power. While some doomsdayers warned that the
PRD would not accept defeat, the Perez Balladares government stepped aside, albeit with reluctance, and Panama took another important step toward democratic consolidation.

In the past ten years, therefore, Panama has made important strides toward establishing institutions necessary for the consolidation of a liberal democratic regime. The nation has held two fair and free elections to choose a president and national legislators and has held two national referenda on constitutional reforms. In addition, two relatively strong political parties have taken center-stage in Panama. Even though many other parties exist, most voters identify either with the PRD or the Arnulfistas (CID-Gallup Panama 1999).12 These two political parties are likely to remain dominant since they have a relatively long history and are viewed by the citizenry as representative of Panamanian nationalism. The political parties that represent the remnants of oligarchic political forces will certainly continue their, to date, unsuccessful efforts at forming a unified political force. If they fail, they will most likely find a home in the PRD or the Arnulfista party, however unlikely that seems at this moment. If they succeed, then Panama could very well have three strong political parties in the not to distant future, a prospect that should not harm the nation’s drive toward democratic consolidation.

4. Problems.

Despite the current favorable conditions and experience with democracy, Panama faces some very significant problems in the future. The prospects for democratic consolidation will rest upon the political and economic elite’s ability to manage these problems and challenges.

Criticism of Panama’s elite has come from all directions. Almost all analysts have at some point painted the country’s economic and political elite as selfish and corrupt. US scholars repeatedly point to corruption, the lack of vision, hyper-nationalism, etc., etc. (Falcoff 1998). Panamanian nationalists have documented the elite’s entreguismo over time, making convincing arguments that the interests of the nation have been undermined by greed and lust for power (Soler 1989). Socialists have pointed their fingers at the bourgeoisie and its close ties to international, i.e., United States, capital (Gandasegui 1989). Many of these criticisms, even if at times hyperbolized, are based on good evidence. Therefore, Panama’s principal barrier to establishing a consolidated democracy is the quality of its own elite. Racism, corruption, greed, and other ills stand in the way of the national interest, which at this time has been defined as working toward the consolidation of a liberal democracy. To some, the character of Panama’s elite is a constant. However, Panama, as we have tried to show, has changed dramatically and new conditions may allow for the development of a more responsible political and economic elite. If liberal democracy is all that it is deemed to be, then its continuing practice in Panama should lead to a more responsive and effective government. If not, then democracy is in peril in Panama and in most of the developing world.

Panama also has to overcome other important challenges. A truly independent judiciary, national legislature and electoral tribunal will all help pave the way toward democratic consolidation.

12 According to a recent CID Gallup poll of Panamanian voters, 26% identify with the Arnulfista party, 23% identify with the PRD, and 40% are undecided, leaving very few voters for the remaining parties. See “Encuesta CID Gallup Panama, El Panama America, September 1, 1999.
consolidation. Panama will continue to suffer from the problems generated by the illegal narcotics trade. Related to the narcotics problem is the continuing crisis in Colombia. No nation is secure when its closest neighbor is at civil war and in danger of collapse. Panama must also ensure that economic prosperity does not benefit only the upper and middle classes. In order for inequality in Panama to decline the gap in wealth between the city and the rural areas must become less stark. If Panama continues to be a divided nation in terms of wealth, race and ethnicity then it will most likely fall down the path of populism, instability and renewed authoritarianism.

V. Conclusion.

To some our analysis will seem overly or naively positive. There has been a tendency recently to paint the Panamanian future as bleak and potentially chaotic, especially in terms of economic stability and democratic development. This negative tendency can be found among analysts both in the United States and in Panama. From the US perspective, Panamanian stability and prosperity is assumed to derive from the US presence. Now that the US presence has been dramatically reduced, these analysts predict a troubled future. This perspective is curious considering the fact that an extensive and prolonged US presence did not save Panama from the problems endemic in Latin America and it fact may have prolonged and intensified those problems. From the Panamanian position the advent of democratic politics has unleashed an enormous volume of political criticism that, although representing a positive step, has tended to magnify the countries failures with democratic development. This criticism is positive in that exaggerating the nation’s flaws may hopefully prevent the development of major flaws that could seriously harm democracy’s prospects. However, nonpartisan analysts should be able to see beyond the rhetoric and confusion of today and take a longer, more analytical look at Panama’s current progress with democracy.

The fact is that Panama is at a point in its history where conditions for democratic development have never been more favorable. The nation has developed at least some semblance of national unity, owing to its long-standing struggle for national independence. It has an economic elite that is urban and commercial, thus not necessarily adverse to democracy. Elites have reached a reasonable level of consensus over the political and economic rules of the game. Sovereignty has finally been achieved, which should allow the nation to benefit economically and to further develop its sense of national unity. And, democratic institutions, while at a fledgling state, are being developed in a form consistent with liberal democratic principles. While important problems exist, Panama is as well poised as any developing nation to consolidate its democratic political system.