The Social Democratisation of the Latin American Left

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In Chile’s Partido Socialista (PS), Uruguay’s Frente Amplio (FA) and Brazil’s Partido dos Trabalhadores (PT) Latin America has, for the first time in history, three governing social democratic parties of the left.¹ There are significant differences within the three parties and equally significant internal differences within each party. Neither the FA nor the PT are members of the Second International and important sectors within these organisations would strongly reject the social democratic label. But the parties’ goals, policies and political strategies merit the characterisation. As their European counterparts, these parties have their roots in organisations of the working class and other popular sectors (Branford and Kucinski 2003; Lanzaro 2004; Pollack and Ronsenkrantz 1986). They are committed to reform rather than to abolishing capitalism through social policies that limit and correct the inequalities of the market. For these parties, when mentioned at all, socialism has become an ethical category rather than the active pursuit of the collective ownership of the means of production. They have discarded any notion of revolutionary rupture in favour of reform, electoral politics and respect for the institutions of liberal democracy.

In government the parties face the challenge of implementing a project of inclusive development under very different economic and social conditions than the successful early European social democratic governments or the most recent ‘Third Way’ ones. They face the constraints of managing developing economies in an era of global capitalism in which capital, particularly financial capital, is highly mobile and governments are all too aware of the catalytic power of international financial institutions and credit rating agencies.² The burden of the external debt, particularly in Brazil and Uruguay, in which it exceeds 50 per cent of GDP, means that retaining of the confidence of the markets has become matter of overwhelming importance regardless of whether the policies required to retain confidence make sense from a strictly economic point of view (Nangle 2005, 50 and 62). Social conditions are also very different to those in Europe in the heydays of social democracy. Latin American countries have always had a smaller working class than the industrial nations of Europe. The economic changes of the past decades have shrunk even more the industrial working class base and weakened the unions, particularly in the private sector. Unemployment and inequality have grown throughout the region, while an underclass of informal workers, the unemployed, the semi-employed and those working in para-legal economic activities have a different set of political and economic demands than those of the left’s traditional working class social base (Power and Timmons 2000).³

This article discusses the reality and prospects for the new social democratic parties of the left in Brazil, Chile and Uruguay. The case of Chile is used mainly as a background to analyse the cases of Brazil and Uruguay, which are the article’s core concerns. The first two sections account for the political and economic shift to the centre left of the parties of the left. The third section argues that the new social
democratic governments are seeking to implement a new social contract through policies that appeal to both their traditional and emergent constituencies. The paper concludes by exploring the potential tensions raised by these policies and its implications for the new social democratic governments project of inclusive development.

**Political social democratisation**

Politically, all three governing social democratic parties have moved to the centre-left from radical origins. They have done so at different times, to different extents and at a different pace, which can be accounted for by their history and circumstances. But there are some common elements and reciprocal influences that could be explored in accounting for this shift, among these, the legacy of the struggles against the dictatorships, institutional constraints, electoral calculations and political learning. The three parties played prominent roles in the struggles that led to their countries’ return to democracy. In the process the parties incorporated into their political imaginaries the importance of human rights and learned to value the institutions of liberal democracy (Angell and Pollack 1993; Keck 1992; Barahona de Brito 1997; Gillespie 1991; Hagopian 1996). Democratic continuity has shaped the political terrain in which these parties operate. Among the formal rules of the game, electoral institutions have played a major influence in the three parties’ political strategies. In common, the three countries have a two-round presidential election, which encourages the formation of political alliances and makes necessary to appeal to broad sectors of the population in order to achieve the 50 per cent plus required majority. (Rabkin 1996; Lanzaro 2004; Mainwaring 1999; Mainwaring and Scully 1995). Furthermore electoral competition brought with it the needs for campaign financing, political marketing (‘Lulinha paz e amor’) and the need to reach marginal and undecided voters. These factors were major incentives for the parties’ strategies of moving to the centre while seeking to maintain the support of its core voters.

To the electoral incentives it must be added political learning as a factor leading to the social democratisation of the parties of the left. Crucial in the case of Chile was the lessons drawn by the PS leadership from the failures of the government of Salvador Allende. In the perception of the leadership of the PS, political polarisation and economic mismanagement were major factors that contributed to the fall of the Allende government (Funk 2004). From the critique of the divisions and polarisations of the time that so much contributed to the coup came also the view that the Popular Unity government had badly managed its political alliances and the need to return to the country’s historically consensual style of politics. As a result, in the 1980s the PS ditched its historical links with the Communists and forged alliances with the Christian Democrats and other centrist parties. The alliance originally came together in the plebiscite that defeated the government of General Pinochet in 1988 and has since dominated Chilean politics.

The move to the centre of the PT and the FA has been a longer, more uneven and incomplete affair. The lessons of past electoral defeats and the need to appeal to new ‘emergent constituencies’ (Luna 2004) as well to their traditional constituencies of the organised working class and public sector workers has been a major factor in explaining the PT and the FA’s shift to the political centre. The left’s so-called emergent constituency is socially, politically and culturally heterogeneous. It
has been described as a ‘coalition of losers’ from the neoliberal reforms (Morais and Saad Filho 2004). But the nature and extent of the losses are very different for different social groups. On the one hand, it comprises sectors of business and the middle classes disillusioned with the failures of neoliberalism in the 1990s but fearful of losing their position in society and the gains of economic stability. On the other hand, it includes the urban and rural poor, the unemployed and those working in the informal sector of the economy, many of whom had until recently clientelistic links with parties of the right.

Political moderation was required not only by the strategy of appealing to moderate voters but also by the need of building electoral alliances with parties of the political centre, which became governing coalitions after the elections. In Chile the Concertación has provided the government with such a political base. In Brazil the PT won less than 23 per cent of the seats in Congress. To secure a congressional majority the government has set up a heterogeneous coalition of parties of the centre left and the centre, which has been precariously held together more by traditional patronage and, as has been made public recently, by outright corruption than by policy agreements. In Uruguay the Frente Amplio, Encuentro Progresista, Nueva Mayoría, is itself a coalition of no less than 21 groups ranging from the radical left to the centre, of which seven are represented in Parliament.

**Economic moderation**

While the Concertación was committed to a market economy since before its first electoral victory in 1989, in both the PT and the FA cases a strategic turn towards a development project of market friendly policies with social inclusion only became evident in the run up to the PT’s 2002 and the FA’s 2004 electoral victories. While both parties fought previous elections on the alternative of ‘keeping the markets happy’ or promoting social justice, in 2002 and 2004 the PT and FA’s electoral campaigns were based on a platform of ‘keeping the markets happy’ and promoting social justice. As happened with political moderation, economic moderation was born out of a mixture of structural constraints, strategic calculations and negative as well as positive learning. In the case of Chile, the maintenance of the free trade policies of the Pinochet era was part of the agreements that underpinned the transition to democracy. The success of these policies in promoting economic growth made their abandonment by the Concertación government politically implausible, while the large-scale privatisation undertaken by the military regime presented the Concertación governments with a fait accompli that would have been both politically and economically costly to reverse (Weyland 1997). Economic success and the institutionalisation of free market reforms turned what could initially have been a tactical concession into a strategic choice crystallised in the cross-parties hegemony of free market ideology within the country’s political elite.

The political and economic success of the Concertación administrations in Chile has had an uneasy effect on the Latin American left. How could have a government in which the party of Salvador Allende was a major partner embraced what was labelled by the left as neoliberal economic policies? Most forces of the left ignored the issue or fudged it by denying left-wing credentials to the Concertación. They equally fudged the question of how to explain that the country that had more consistently embraced free market reforms had the best economic record in Latin America. In some cases they pointed to the failure of Chile to reduce so-
cial inequalities, while ignoring the country’s success in substantially reducing poverty. But denial has become more difficult since Chile elected the Socialist Ricardo Lagos as its president in 2000.5

If the successes and failures of Chile’s centre-left government remained largely a taboo issue for the left, the triumph of Luiz Inácio Lula da Silva in Brazil was widely celebrated as a milestone for the left in the region. When the PT-led administration adopted economic policies that were largely a continuation of those of the previous government of president Fernando Henrique Cardoso, it may have surprised and disappointed many of its supporters at home and abroad, but Lula’s personal and political biography and the PT’s history made it much more difficult to ignore or disqualify it as an irrelevance for progressive forces in the region. When after a difficult 2003 the Brazilian economy grew strongly in 2004 and president Lula’s government registered high levels of approval, the PT-led administration began to be compared and contrasted with past and present left-wing experiences in the region, particularly with the increasingly radical left-populist government of Hugo Chávez in Venezuela. In Uruguay the FA used the initial successes of the Lula administration in its electoral campaign to reassure business and moderate voters that they had little to fear from a left of centre government as well as to legitimise its own moderation in its first months in office.6

If negative and positive learning from the experiences of other countries’ have influenced policy changes, domestic political and economic factors have been the deciding factors in the shift towards market-friendly policies. In contrast to the economic dislocations that characterised countries in which radical populism or grass roots uprisings are in the political ascendancy, such as Venezuela, Bolivia and Ecuador; Chile, Brazil and Uruguay have relatively more stable, and, in the case of Chile, considerable more successful economies. Both the PT and the FA’s governments assumed office under favourable international economic circumstances, characterised by low interest rates, an abundance of financial capital, a firm demand for developing countries’ bonds and high commodity prices. Within this context the economic costs of bailing out of the international financial markets was perceived by the new administrations as outweighing the benefits of debt default. Equally, the experience of the heterodox economic programmes of the past, such as the plano Cruzado in Brazil, hardly provided the new governments with positive incentives to challenge the current orthodoxy. As Brazil’s finance minister Antonio Palocci pointedly remarked, Brazil has a long history of ‘experimental’ (experimetalistas) economic policies, which had all failed.7

In both administrations, market friendly factions control the economic teams led by finance minister Palocci in Brazil and economy and finance minister Astori in Uruguay. Palocci and Astori have presented their views on economic development in strikingly similar terms.8 They have a vision of development that has strong elements in common with the post-Washington consensus advocated by mainstream developing economists and international financial agencies, such as the World Bank and the Inter American Development Bank (Fine 2001). For both ministers the key problem of their respective countries has been the failure to secure sustained, long-term economic growth. Foreign and domestic private investment are seen as the key requirement for the goal of achieving economic growth, which will in turn create the jobs necessary to lift people out of poverty. The state should contribute to economic success by providing political, social, legal, institutional and macroeconomic stability and fiscal discipline. Governments should promote
institutional reforms, such as tax, pensions and public sector reforms. Social inclusion is to be achieved through job creation, complemented by the building up of human capital, microeconomic initiatives (such as micro credit programmes) and targeted social programmes. However, significant differences remain on the degree of the three parties’ consensus on economic policies. In the cases of the PT government in Brazil and the FA administration in Uruguay, the market-friendly consensus within the ruling parties is much weaker than in Chile as important sectors within the parties support more traditional left-wing economic policies of state intervention and protectionism.9

Social democracy in power: A new social contract?

The populist governments of the import substitution industrialisation (ISI) period used economic protectionism and state intervention to set up a social contract that brought together the unions and domestic industry under the control/mediation of the state. The new social democratic governments have sought to ground their projects in a new social contract that binds together their traditional and emergent constituencies through a combination of macroeconomic stability, neo-corporatist and participatory institutions and targeted social programmes.

Economic stability is the most overarching economic goal, as it potentially benefits all sectors of society. It is crucial to business as it provides the necessary environment for investment decisions. It is a condition for the continuous support of the International Monetary Fund and other multilateral financial agencies. It benefits middle class consumers that have access to credit but also the poor that had no protection mechanisms from inflation. The cross-social and political benefits of low inflation explain why it has become a public good that no government can afford to jeopardise. For the governments of the left, it makes it even more politically costly to attempt heterodox economic policies, which are advocated by some of its supporters but that when implemented in the past led to hyperinflation.

Participatory institutions seek to integrate the social democratic parties’ traditional allies within the union movement and the new organisations of civil society together with the business constituency of both domestic and multinational firms. In Uruguay the EP-FA administration has reinstated the so-called ‘wage councils’, first instituted in the 1940s. These are tripartite collective bargaining bodies comprising representatives of the business sector, the unions and the government that negotiate wage settlements for sectors of economic activity. In addition to the wage councils, the new Uruguayan government has set up a number of consultative bodies with the participation of representatives of civil society as well as an umbrella body of Government, union and business representatives to discuss broader issues of jobs, investment and labour relations (The Economist Intelligence Unit 2005).10 In Brazil the government has set up an Economic and Social Development Council (CDES) composed of representatives of business, labour and a wide variety of civil society organisations as an advisory body on economic and social issues. The government has also maintained a good relation with the Movimento dos Sem Terra (MST) in spite of criticisms from landowners and conservative politicians. In addition, the government has set up several consultative forums to discuss sectoral policies in areas such as women, health, education etc. At the local level, the participatory budget experience of the municipality of Porto Alegre has received worldwide attention (Baiocchi 2003).
Socially, the key social programmes are directed to the ‘emergent constituency’ of the urban and rural poor through targeted money transfers to families living in extreme poverty. The main programmes are Brazil’s *Bolsa Família* and Uruguay’s *Programa Nacional de Emergencia Social* (PANES). The *Bolsa Família* programme, which was set up by Provisional Measure N.132 of October 2003, is aimed at families with a per capita income of up to R$100. It links the payment of a small family wage to children’s attendance to school and other social commitments ([http://www.mds.gov.br/bolsafamilia/bolsafamilia01.asp](http://www.mds.gov.br/bolsafamilia/bolsafamilia01.asp)). Similarly, under the PANES, instituted by the Vázquez administration in March 2005, families living under extreme poverty will receive payments for the equivalent to just over US$50 monthly in exchange for community work, school attendance and other obligations. It is estimated that the programme will benefit around 50,000 families (Economist Intelligence Unit 2005). Significantly, these programmes are also consistent with the post-Washington consensus orthodoxy aimed at combining market reforms with compensatory mechanisms to compensate those left behind by the reforms.

The political and economic tensions raised by the social contract of the ISI era have been widely discussed in the relevant literature (Cavarozzi 1992). There are, however, a number of different in-built tensions within the new social democratic contract. The first one is between the fiscal and monetary constraints required to maintain macroeconomic stability in highly indebted countries with demands for higher public investment and social spending in areas such as health and education. The Brazilian and Uruguayan governments have followed a strategy of ‘taking the poison first’ by setting high primary budget surplus targets in the first years of the new administrations with the goal of lowering the debt/GDP burden in the medium to long term in the hope of having more resources in the future as interest debt payments become a smaller share of public spending. But the conflicts raised by the quest for macroeconomic stability are exemplified by the criticisms directed against the Brazilian government’s policy of high interest rates and high primary budget surpluses, which according to its critics, dampens economic growth and prioritises financial markets’ profits over the needs for public investment. In Uruguay exporters have complained against the government’s unwillingness or inability to stop the appreciation of the peso against the US, which has been instrumental in keeping down inflation and lowering the debt to GDP ratio. Also in Uruguay, president Vázquez’s insistence that the five year budget should rise expending on education to the equivalent to 4.5 per cent of GDP, as promised in the electoral campaign, brought minister Astori to the verge of resignation, as he argued that the extra public spending would be in breach of commitments made to the IMF.11

The second tension is between the technocratic political style characteristic of market-oriented policies and the participatory style required to maintain consensus (Prezeworski 1991; Huber, Rueschemeyer and Stephens 1997). The social democratic governments have found that participatory arrangements often conflict with the working of representative institutions, which are after all, their source of legitimacy and main levers of power. Significantly, the PT administration chose pork barrel rather than participatory politics to ensure the approval of the national budget in contrast with the participatory budget policies espoused at the local level. In Chile, technocratic policymaking has led to political apathy and disillusionment in considerable sectors of the population, including traditional supporters of the left (Posner 1999). In Uruguay, there have been tensions between the pro-business
agenda of the Ministry of the Economy and the pro-union, neo corporatist, policies of the ministry of Labour.\textsuperscript{12}

The third tension is between traditional and new constituencies’ competition for scarce social security funds. Targeted social programmes to benefit the poor divert resources for universalist social security policies that have historically benefited the middle and working classes. This was evident in the case of the 2003 public sector pension reform in Brazil that directly affected some of the PT’s strongest supporters, the public sector workers. Targeted social programmes also risk creating new forms of state-dependency while doing little to create jobs and build up human capital. Moreover, government handouts could become focal points for new organisations such as the \textit{piqueteros} in Argentina with potentially conflicting agendas to that of the government.

\textbf{Conclusion}

In common among themselves and in contrast with their own past, the new social democratic left in Latin America has for all practical matters abandoned the language of socialism, class struggle and ownership of the means of production. Instead it appeals to a plurality of social sectors and defines itself in terms of a development project that combines market friendly policies with social inclusion. In this process the left has ditched the old language of class alliances, seizing state power and transition to socialism. Those who long for radical change either in its revolutionary or populist versions may consider the current social democratic path as an abandonment of the utopian ideals of a new society. But arguably, gradualism reflects the limited but real democratic progress made by Latin America over the past two decades and the enormous costs as well as the risks incurred by attempts at instituting a political ground zero in complex, modern societies. However, the new social democracy still has to contend with the same old historical dilemmas: How to adapt its historical values of equity, inclusion and social justice to a changing environment? With whom can you ally to gain power without losing your identity? How can you achieve your goals from government in the face of powerful constraints? To what extent are piecemeal reforms and the acceptance of significant elements of the existing social and economic status quo tactical or strategic options? Today, the new social democratic governments are still searching for the answers to these questions.

The diversity of the parties’ expanded electoral base of support as well as the constraints of the global economy make it difficult for the social democratic governments to negotiate the tradeoffs and compromises that are at the heart of a project that seeks to combine market-friendly policies with social inclusion within the rules of liberal democracy. As shown by the 2005 corruption scandal in Brazil, playing by the rules of the game is morally unacceptable and political suicidal when the game is rotten to the core. Perhaps the key political task for the new social democratic governments is to overhaul the culture and informal institutions of currently existing liberal democracy in their countries. It is only upon the foundations of strong representative and properly accountable institutions that new forms of political participation that deepen democracy could be instituted. Concerning the economy, the challenge is to set up the conditions for economies that will generate the jobs to end the scourge of unemployment and the financial resources necessary
for providing high quality public services, particularly for those more in need. It may not sound like much of a utopia, but if achieved it will radically transform for the better the lives of millions of people in Latin America.

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Notes

1. The Frente Amplio is in fact a coalition of parties rather than a party, but for the purpose of this article I will use the term ‘party’ as shorthand to describe the FA.
2. Catalytic power is the power to precipitate or hedge potential financial crises by influencing market perceptions about a country’s financial situation. Agencies can have catalytic power by virtue of their strong record of producing prescient analysis or by their ability to make available sizeable funds to clients at their discretion (Nangle 2005, 50)
3. For the new underclass and the blurring of the distinction between legal and illegal activities see: ‘Una nueva cultura de la pobreza desnuda el ‘desvanecimiento’ de la frontera que separa las actividades legales e ilegales’, Búsqueda No. 1268, 2 al 8 septiembre 2004.
4. The corruption scandals involving prominent members of the PT leadership is set to have major implications for the future of the party but it is too early at the time of writing this article to make any informed analysis on its repercussions. The allegations have received blanket coverage in the Brazilian press. See Folha de São Paulo June-August 2005.
5. Significantly, when Minister Palocci was asked by a journalist whether there was any country in the world that had achieved economic development with social inclusion while implementing a restrictive fiscal policy, the minister said that Chile was such a country. See, Entrevista: ‘Utopía é crescer e distribuir renda’, diz Palocci’ Folha de São Paulo 22 de dezembro de 2004.
7. ‘Entrevista: Utopía é crescer e distribuir renda’.
Bibliography


