Social democracy reborn?

The Latin American left in government

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European social democratic parties are currently in crisis: trapped in opposition and struggling to reassemble the kind of electoral majorities they frequently enjoyed in the last century. By contrast, in Latin America left-of-centre governments have been in power in most of the region’s major countries for almost a decade. How did the Latin American left win power after a century of political exclusion? What has it been able to do in office? Has it achieved its goals of deepening democracy, reducing poverty and shifting Latin America towards a more equitable model of economic development?

This article focuses on the three cases of social democratic government in the region: the governments led by the Workers’ Party in Brazil (2002–), the Socialist Party in Chile (2000–2010) and the Broad Front in Uruguay (2004–). These form an identifiable ‘social democratic bloc’ of countries different in orientation to the other more radical left administrations in the region, such as those of Hugo Chavez in Venezuela or Evo Morales in Bolivia. These cases are chosen because they are likely to provide more easily translatable lessons for the European left. The social, economic and political conditions that gave rise to the election of leftist governments in Brazil, Chile and Uruguay are much closer to those that exist in our own societies than those in countries like Venezuela or Bolivia. In those latter cases politics is more polarised, democratic institutions more fragile and the economic and social crises that led to the emergence of left-wing governments much more acute.

The article first justifies the use of the label ‘social democratic’ in relation to these administrations and places them within the historical context of leftist politics in Latin America. It then goes on to explore each case in turn. It finally seeks to explain why some of these governments were able to implement more radical reforms than others.

Social democracy and the left in Latin America

While Europe has a long tradition of parliamentary labour-based parties successfully competing for office, social democratic politics is relatively new to Latin America. The reasons for this can be found in the region’s distinctive social structures and the political conditions to which they gave rise.

Throughout the twentieth century Latin America lacked the kind of developed industrial base that spawned the powerful organised labour movements of Western Europe. The poor were predominantly rural or worked in the vast informal urban economy which made it difficult to organise cohesive class-based movements. In general, the poor voted for populist politicians such as Lázaro Cárdenas in Mexico, Juan Perón in Argentina and Getúlio Vargas in Brazil. From the 1930s to the 1970s these personalist movements supported pro-poor protectionist development strategies, allowing them to capture the natural social constituency of the left (Roberts, 1998).
The Latin American left was also excluded from formal politics by legal proscription and military repression. Latin American politics was highly polarised and the ruling classes, as well as the United States in the context of the Cold War, lived in fear of communist-inspired revolutions. As a result, the left was often not allowed to compete for political office. In the one case where the left did win a presidential election, in Chile in 1970, it was forced to govern under a state of permanent political and economic siege. Eventually, the ‘Chilean Road to Socialism’ was brought to a brutal end with the Pinochet coup of 1973.

Because of this there was no social democratic route available for the Latin American left: it remained ideologically Marxist and committed to armed revolution as the only tenable political strategy. Much of the left took inspiration from the Cuban Revolution of 1959 which showed that a socialist alternative was possible on the back of a popular revolt and a guerrilla war. The triumph of Fidel Castro in Havana mobilised movements to take up arms right across the region. These revolutionary movements were largely unsuccessful, with the one great exception of the Sandinistas, who overthrew the hated Somoza regime in Nicaragua in 1979 (Angell, 1996).

It was the re-democratisation of the region during the 1980s that opened up new space for a more social democratic left to develop. Across Latin America, left-wing movements were permitted to compete in national elections, and therefore had the space to build support within the formal political arena. The experience of resistance to authoritarian rule, and the fact that left-wing activists were generally the principal victims of human rights abuses by the military, gave these parties a new appreciation of the value of liberal democratic political institutions. Whereas in the past the left had tended to be dismissive of electoral politics as a formalistic ‘bourgeois sham’, masking the realities of class-based power, the left now committed itself to the protection of human rights and the consolidation of democratic institutions. The collapse of the Soviet Union further shifted the left away from Marxism and towards a more social democratic strategy (Castañeda, 1993; Pérez, 1996).

Finally, the dominance of conservative regimes committed to neo-liberal economics during the 1990s meant that the left gradually managed to broaden its support from the relatively small organised industrial working class and the public sector middle class to the wider mass of the urban and rural poor. It started to win municipal elections and in doing so demonstrate that it could be a responsible and competent administrator. By the 2000s, the fact that neo-liberalism had singularly failed to deliver the higher living standards it had promised meant that many millions of voters turned to the left in search of a more equitable alternative.

Nevertheless, the left in Latin America is as heterogeneous as the region itself and the kinds of left governments that emerged over the course of the 2000s varied widely. Most authors divide them into the three social democratic administrations of the southern cone and the more radical national-popular administrations of Venezuela, Bolivia, Argentina, Nicaragua and Ecuador. This is inevitably a crude and simplistic distinction, and it is often associated with a normative argument that there is a ‘good’ social democratic and a ‘bad’ populist left in the region. This author makes no such normative judgement: the left everywhere emerges in distinct national political and social conditions that help to shape the trajectory it follows. ‘Populism’ is a crude and largely pejorative category.

There is nonetheless a kernel of truth in the distinction between these different kinds of left. Those that have emerged in Brazil, Chile and Uruguay share a set of important characteristics. They inherited relatively stable economies and are committed to their gradual reform. They aim to make capitalism work for the poor, rather than instigate a more radical break with neo-liberalism. They are committed to the existing liberal democratic framework, rather than seeking to radically re-found their countries’ constitutional arrange-
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ments. Finally, they are based on institutionalised political parties with historic links to organised labour and other social movements.

This contrasts with the left governments that emerged in countries like Venezuela, Argentina, Bolivia and Ecuador. These governments emerged following periods of acute economic and social crisis and political polarisation. Many of them benefited from oil and gas export bonanzas which freed them from some of the constraints imposed by international markets. As a result, they favoured a much more radical break with the neo-liberal model, in particular by pursuing greater public ownership of their nations’ natural resource base. They operated in more fragile and unstable political systems and were structured more as loose personalist movements than as political parties. As such, they sought to re-found their country’s democratic arrangements, shifting from traditional liberal democratic institutions to more majoritarian and participatory democratic forms.

These lefts have to be understood within the distinct national contexts in which they emerged and had to govern. This article focuses on the social democratic cases because they are likely to have more directly applicable lessons for the left in Europe.

Brazil

The Brazilian Workers’ Party (the Partido dos Trabalhadores or PT) was formed in 1980 by a grassroots coalition of trade unionists, Catholic radicals, landless peasants and middle class intellectuals, committed to building a different kind of left-wing political party. The PT was the brainchild of the independent unions that had developed out of strikes in the 1970s in the Sao Paulo automotive industry, headed by the charismatic strike leader Luis Inacio ‘Lula’ da Silva. The PT was in favour of liberal democratic institutions and opposed to neo-liberal capitalism, but it eschewed Marxism and committed itself to a pluralistic form of reformist socialism.

Gradually the PT grew in size, managing to position itself as a powerful force in the more developed south of the country, where the presence of an industrial working class and a public sector middle class provided it with a core base of social support. It stood out as the only party in Brazilian politics that was created from the ‘bottom up’ by those excluded from congress, as opposed to being created as a vehicle for existing congressional elites. It won control of numerous municipal governments throughout the 1990s and became famous for its own distinctive way of governing. In cities like Porto Alegre it experimented with ‘participatory budgeting’, which involved thousands of ordinary poor citizens in making decisions over how to spend council funds. It was respected for the fact that it was, unlike much of Brazilian politics, not corrupt, emphasising transparency and eschewing traditional clientelistic practices (Keck, 1992).

The PT became the main oppositional force in the country, with Lula coming second in the first three presidential elections since re-democratisation in 1989, 1994 and 1998. Over time the party moderated its political programme, aware that it was stuck on about a third of the vote and concerned that it had yet to convince the average voter that it could effectively manage the economy. As such, before the 2002 elections Lula wrote a ‘Letter to the Brazilian People’ (some joked that it was more a ‘letter to the financial markets’), pledging that a PT government would meet the country’s obligations to pay its IMF loans and would retain the basic macroeconomic policies of the centre-right government of Fernando Henrique Cardoso. Despite this, the financial markets reacted to the prospect of a Lula victory with some alarm, leading to a run on the currency. In the end, Lula emerged triumphant, defeating his centre-right opponent Jose Serra by 61 per cent to 39 per cent, winning more votes than any other candidate in Brazilian history.
Lula's victory was historic: not only was he the first left-wing candidate to win a presidential election in Brazil, he was also the first working class Brazilian to do so. The crowds of poor supporters that thronged along the avenues of Brasília on inauguration day were similar to those that travelled to see the Obama inauguration in Washington in 2009. Whereas in Britain we are relatively used to working class politicians in positions of power, in Brazil's highly stratified and hierarchical society, this was a seminal moment: never before had an ordinary worker become President.

But what was Lula able to do in office? Was he able to achieve the PT's long-standing goals of breaking with neo-liberalism, reducing poverty and deepening democracy? Lula's left-wing supporters were quickly disappointed: as he set out in his ‘letter’, Lula stuck to the tight monetary and fiscal policies of his predecessor, maintaining high interest rates and a primary budget surplus to allow Brazil to pay off its loans from the IMF. Although this constrained the space for growth and employment, and for many PT supporters looked like siding with the IMF over the social needs of the country, it has to be understood within the context in which Lula was elected. The possibility of Lula's election had triggered alarm in the financial markets, leading to a run on the real and an increase in the country's external debt risk ratings. The government's priority was therefore to calm the markets to buy it the space it needed to develop its growth and anti-poverty strategies.

In the short term, Lula's macroeconomic conservatism was successful in its stated objectives, leading to low inflation and a strong balance of payments. An attempt to balance the books by reforming civil service pensions led to a congressional rebellion within the PT and a number of deputies being expelled from the party.

In the long run, however, we can see that Lula's administration did start a gradual shift away from neo-liberalism and towards what has been described as a ‘new developmentalist’ approach to growth. By 2005 it managed to pay off the entire IMF loan and thus end the dependency of the country on international creditors. Lula's government opposed and effectively sank the Bush administration's Free Trade Area of the Americas, favouring instead the strengthening of the Mercosur trading bloc which would now include Venezuela. Lula saw the state as having a leading role in delivering a more planned and equitable model of economic development. The privatisations of the Cardoso government ended. There was a strong industrial policy, with the National Development Bank providing subsidised loans and investments and increasing the public sector stake in the utilities privatised by the previous government. In 2007 the government launched a Growth Acceleration Programme, which saw increases in public investment in roads, railways and hydro-electric power stations. In particular, it used public funds to try to narrow the regional disparities between the north and south of the country. It was not socialism, but nor was it neo-liberalism.

Although the economy contracted slightly in Lula's first year, from then on it grew, with rates accelerating during his second term to records of over 5 per cent a year in 2007 and 2008. Lula combined this economic strategy with something entirely novel in Brazilian politics: a commitment to ensuring that poverty should be reduced alongside economic growth. Lula's main tool for achieving this fall in poverty was the Bolsa Familia or family grant scheme. This was formed in 2003 from the combination of a number of different social security programmes and delivered cash transfers of between 15 to 95 reais a month depending on family income. Access is conditional on parents ensuring that their children stay in school and undergo regular medical checks. The programme was rapidly expanded so that by 2006 it covered 11.1 million families or 44 million Brazilians – around a quarter of the population. This was combined with very significant increases in the minimum wage throughout Lula's time in office, such that it is now at its highest level in real terms since 1979 (The Economist, 2010; Bourne, 2008).
The result has been a growth in average real incomes and a very significant reduction in poverty: the proportion below the poverty line in the main metropolitan regions fell from 35 per cent in 2003 to 24 per cent in 2008. In addition to this, however, Brazil has also managed to achieve a narrowing of its vast levels of inequality under the Lula administration: the Gini co-efficient fell from 0.627 in 2002 to 0.54 in 2009 (Panizza, 2009; The Economist, 2010). There has been a fall in the ranks of the poor and a growth in the size of the middle class, which by the end of Lula’s time in office made up the majority of the population for the first time. If the success of any left-wing government is to be judged by its success in reducing poverty and inequality, then the Lula administration in Brazil must be counted as a social democratic success story.

Finally, what of the deepening of democracy? It is in this area where the Lula government was least successful. The PT did not translate its ‘PT way of governing’ from the local to the national level. Although various consultative fora were established, the PT did not manage to bring a more participatory model of governance to Brasilia. Indeed, it did not try to involve its social movement allies directly in government and governed in a relatively conventional fashion.

The PT decided to work largely through the existing representative channels of the Brazilian congress. In doing so, it sacrificed a great deal of its previously ethical reputation. Within a year of Lula coming to power, his administration was hit by a massive corruption scandal when it emerged that leading figures in the PT were using public funds to pay deputies from other parties to vote with the government in congress. Although Lula himself was not directly involved, and although PT leaders did not appear to be personally profiting from the funds, the scandal hit the party hard. This was because it had always promised to be different, to be an ethical party different from the rest. At some point between the 1998 and 2002 elections the PT had clearly decided that it would use any means necessary to secure itself a majority in congress. In doing so it tragically chose to embrace the clientelistic culture of Brazilian congressional politics.

Chile

The Chilean Socialist Party (Partido Socialista or PS) has a long history that stretches back to the 1930s, when it was formed by an eclectic mix of social democrats, anarchists and Trotskyists disillusioned with the dogmatic Soviet line of the Chilean Communist Party. The Socialists and Communists both enjoyed significant levels of support among the country’s relatively sizeable industrial working class, especially among the unionised miners in the north of the country. Like elsewhere in Latin America, Chilean politics was profoundly affected by the Cuban Revolution, which led to a radicalisation within the PS – it declared itself a Leninist party and came to regard armed revolution as at some point inevitable. In coalition with the Communists and a number of Christian left groups, the PS formed an electoral coalition which three times put forward the socialist Salvador Allende for the presidency (Arrate and Rojas, 2003).

Allende was narrowly elected president at his third attempt in 1970 at the head of the Popular Unity (UP) coalition. The Allende government attempted to bring about a transition from capitalism to socialism by peaceful parliamentary means. It raised salaries and wages, redistributed land from the large landowners to the peasantry and nationalised key industries. The UP government was one of the most radical left-wing governments ever to be elected by democratic means and while its support grew during its time in office, so did the degree of polarisation within the country between the UP’s working class supporters and the upper and middle classes. In 1973 the elected government was overthrown in a
bloody coup led by General Pinochet, ushering in two decades of brutal military dictatorship.

The PS and its centre-left sister party the Party for Democracy (PPD) emerged from military rule ideologically transformed. The brutality of military rule had made the restoration and consolidation of democracy the first and most important priority for the left. Chilean democracy was fragile: in the 1988 referendum on whether to end military rule Pinochet had scored a respectable 43 per cent, which demonstrated that the general retained the support of a significant minority within the population. Facing a defeated but still powerful military, backed by conservative sectors within the population, the left was nervous about doing anything in the transition period that might undermine a fragile democracy and lead to a reversion to military rule.

The ideological moderation of the Chilean PS was also reinforced by the lessons the party had learned from the Allende period. Essentially many within the PS had come to believe that their revolutionary radicalism had contributed to the polarisation of politics. If they had reached out to the middle classes and those who supported the centrist Christian Democrats, perhaps the catastrophe could have been avoided. In exile and under the conditions of military rule, the party had moved from the Leninism of its past to a much more moderate social democratic disposition (Arrate, 1983; Gazmuri, 2000).

Following the first democratic elections in 1990, the PS found itself in government as the smaller coalition partner in a government headed by the Christian Democrats. The Concertación, as the centre-left coalition was called, governed Chile for the first twenty years of its new democracy from 1990 to 2010. Between 1990 and 2000 it was led by Christian Democratic presidents Patricio Aylwin and Eduardo Frei, but from 2000 it was headed by Socialists Ricardo Lagos and Michelle Bachelet.

The Concertación sustained the broad parameters of the neo-liberal economic reforms introduced by General Pinochet. It pursued orthodox fiscal and monetary policies to sustain macroeconomic stability. It supported a liberalised trade regime and reduced tariffs. Unlike the Brazilian and Uruguayan lefts it eschewed a regionalist trade agenda through Mercosur, preferring bilateral agreements, including with the United States. In terms of delivering economic growth this model worked: Chile grew at an average of 5.1 per cent per annum during those twenty years. GDP per capita was $4,542 in 1989; in 2009 it was $14,299. In 2010 Chile became the first South American country to join the OECD. The Chilean left chose to ride the neo-liberal economic wave rather than depart fundamentally from it (Angell, 2010).

If the Concertación sustained the free market reforms of the Pinochet period, it departed from the Pinochet legacy by investing massively in social programmes. The minimum wage was increased and there was an early and rapid expansion of targeted programmes of social assistance that offered financial support and help with education and training. There was a massive increase in investment in the public health and educational systems. The Lagos administration introduced a major health reform that guaranteed basic minimum services for all and established a system of universal unemployment insurance. The Bachelet administration established a basic minimum pension and a universal system of day care and pre-school nurseries.

The social outcomes were impressive. Poverty fell from 38.8 per cent of the population in 1989 to just 13.7 per cent in 2009 (Angell, 2010). Income inequality also marginally decreased from a Gini co-efficient of 0.56 in 1990 to 0.53 in 2006 (Larrañaga, 2009).

The Chilean left can also be seen to have been successful in delivering important democratic reforms. When it came to office in 1990, there remained important so-called ‘authoritarian enclaves’ within the Chilean constitution. The Lagos administration removed
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non-elected senators appointed by the military, increased the power of congress, and improved civilian control over the military. In terms of providing restitution for the victims of human rights abuses, progress has been slow and incomplete but steady. Since 2000, 779 former agents of the military regime have been indicted, charged or sentenced for crimes committed during the dictatorship. A commission to investigate torture and political imprisonment has resulted in the majority of victims receiving some form of reparation.

Uruguay

The Uruguayan Broad Front (Frente Amplio or FA) was formed in 1971 as a ‘popular front’ style coalition involving the Uruguayan Socialist and Communist parties, alongside Christian Democrats, independent Marxists and defectors from the two dominant political parties – the Blancos and the Colorados. Proscribed and repressed during the military dictatorship (1973-1984), the FA re-emerged during the democratic period to become the major opposition force in the country. Unlike the Chilean PS, it had not undergone a radical ideological transformation during military rule – largely because, unlike the PS, it had not been in power when the coup hit and therefore felt less need to reassess its own political strategy (Muir, 2006).

As the Blancos and Colorados shared government power and introduced a gradual series of neo-liberal economic reforms including privatisations and welfare retrenchment, the FA gradually extended its popular support. It gained experience of public administration after it captured the mayoralty of Montevideo in 1989. As the traditional parties that had created Uruguay’s welfare state abandoned it, the FA moved in as the defender of the poor and the welfare system, extending its support from the industrial workers and middle class intellectuals to wider social strata, including the urban poor (Yaffé, 1999). Following the financial crisis of 2002, the FA candidate Tabaré Vázquez was elected as his country’s first leftist president with 50 per cent of the vote on the first round in 2004. The FA candidate and former Tupamaro guerilla fighter Jose ‘Pepe’ Mujica was later elected in the 2009 election, sustaining the left in power for a further five years.

The FA can be considered as the most left-leaning of our three social democratic cases, simply because it has departed most clearly from neo-liberalism in its approach. First, while retaining an orthodox macroeconomic policy, the FA has actively sought to shift towards a more regionally-orientated and state-led development strategy. This has involved public investment in education, strategic industries and infrastructure, as well as support for regional integration through Mercosur. In line with this commitment, the FA government rejected signing a proposed bilateral free trade agreement with the Bush administration. This economic strategy has proved successful, with strong growth leading to a fall in the unemployment rate from 13.1 per cent to 7.5 per cent in 2008. The generation of jobs in the formal economy has led to a decrease in the proportion of people employed in the informal economy from 42 per cent to 33 per cent (Couriel, 2009).

Second, the FA has achieved some significant advances in social policy and has done so by using a more heterodox range of policy tools than those applied in Brazil or Chile. The FA introduced a number of labour market reforms that led to increases in real wages. It increased the minimum wage by 63 per cent in real terms in its first term. It also reintroduced compulsory collective wage bargaining through a system of wage councils, which had a long history in Uruguay but were abolished by the Lacalle government in 1992. This reform strengthened trade unions, whose membership rose from 130,000 to 320,000 in 2008 and contributed to an increase in real wages of 24.9 per cent during the FA’s first term in office.
The government also reformed taxes, making income taxes more progressive and significantly cutting sales taxes, which it is estimated had a positive impact on income distribution. In 2005 a large scale conditional cash transfer programme (PANES) was introduced, which helped provide food, financial assistance and health care. When that programme ended in January 2008, an old conditional cash transfer programme was redesigned (Asignaciones Familiares), and the amount of this transfer was significantly increased. This programme aims to cover half of the population under 18 years old in Uruguay.

These policies were successful in reducing both poverty and income inequality. The proportion of people living below the poverty line fell from 31.9 per cent in 2004 to 20.5 per cent in 2008. Child poverty fell from 55.3 per cent of children in 2004 to 38 per cent in 2008. Income inequality fell from a Gini co-efficient of 0.46 in 2004 to 0.424 in 2008, the lowest in Latin America (Couriel, 2009).

Finally, the FA has implemented some important measures in the area of democratic reform. On human rights, Vázquez forced the military to cooperate with a successful investigation to find the remains of those who had disappeared under the military regime. In terms of public participation, the left has introduced a corporatist-style national economic council to bring together unions, employers and government to reach agreements on the country’s economic strategy.

Conclusion

There are strong grounds for regarding all three of these cases as successful. They were all able to achieve the social democratic ‘holy grail’ of high rates of economic growth alongside an extension of social justice. In all three cases poverty fell significantly and income inequality also decreased. If the European left needs evidence that it is possible to reduce income inequalities in the era of economic globalisation, their Latin American cousins have provided it. They achieved this by combining orthodox macro-economic policies that pleased the markets with the implementation of redistributive social policies. They were fortunate of course to have come to office during a commodity price boom which produced strong growth across the region and which enabled it to avoid the worst effects of the 2008 financial crash.

There were, however, differences between these governments. The FA was able to adopt a much more leftist approach to economic and social policy than its counterparts in Chile and Brazil. One reason for this is that neo-liberalism was never successfully embedded in Uruguay’s political economy. Wage councils have a long history in Uruguay and employers were not especially resistant to their reintroduction. The state has always played a very powerful role in the economy and privatisations were successfully blocked prior to the left assuming office. Nevertheless, the FA’s radicalism is also a consequence of its internal democracy. Its leaders are expected to stick firmly to a programme agreed formally with activists, who therefore enjoy much more power than in the PT or the PS. The FA government in office was anchored firmly within a grassroots political movement that kept its leaders true to a more leftist approach.

It was in Chile that the left in office departed most radically from a traditional social democratic approach to economic management, more or less leaving free market reforms intact and resisting the developmentalist agenda pursued by the PT and the FA. To understand this one has to appreciate the very radical process of ideological revisionism the Chilean left went through because of the overthrow of the Allende government. This led it to break more radically from traditional socialism than in the Brazilian and Uruguayan
cases. It is also true that in the Chilean case democratic rule was much more fragile than in the other two cases: the military retained significant support and had left behind powerful constitutional impediments to what the democratic government could do in office. The left in Chile had much less room for political manoeuvre and hence tried to tame neo-liberalism rather than restructure it.

In spite of their differences, these left of centre governments have demonstrated that social democracy is possible in Latin America. Their European cousins would do well to study and learn from their example.

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