

## Is Social Democracy Possible in Latin America?

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The shift to the Left in Latin America opened an intense debate over the possibilities of social democracy in the region. The origins of social democracy in Western Europe was due to a series of historical and political conditions which are not now to be found in Latin America, from an economy based essentially on industrial production to a majority sector of organized workers. On the other hand, the neoliberal policies applied in the region have produced a marked heterogeneity of the labour force and a deepening of social inequalities which make the prospects more complicated. Despite this, the article argues that a local version of social democracy could prosper in Latin America, above all in those countries with stable political systems and consolidated democratic regimes, such as Uruguay, Chile and Brazil.

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Since 1998, left-leaning governments have been elected in nine different Latin American countries. This unprecedented political shift has placed nearly two-thirds of the regional population under some sort of leftist administration, and it has shredded the so-called «Washington Consensus» for free market or neoliberal reform. What lies beyond neoliberalism, however, is uncertain, and it is a source of considerable political

contention. Some observers believe that little has changed, assuming that global market forces will narrow the range of policy options and discipline leaders who stray too far from liberal norms (Hakim 2003; Weyland 2004). Others, more ominously, warn of a revival of demagogic populism and its traditional political correlates—nationalism, statism, and authoritarianism (Castañeda 2006; Vargas Llosa 2007). Still others raise the possibility of a Latin American variant of social democracy emerging in the aftermath of neoliberal restructuring—an alternative that combines representative democracy with a market economy and state initiatives to reduce inequalities and promote social citizenship (Lanzaro 2007)

This essay explores the prospects for this latter outcome. It draws from the European and Latin American experiences to identify various structural and institutional constraints on the development of contemporary social democratic alternatives. But it also tries to identify political opportunities to advance toward social democratic goals, and to explain how that reform process is likely to differ from the one found historically in Western Europe. I argue that by working to reduce inequalities and expand social citizenship rights within the constraints of representative democracy and market economies, the Latin American Left is playing on the general terrain of social democracy. The contours of this terrain, however, are markedly different from those which spawned the classic cases of social democracy in northern Europe, virtually assuring that any path to social democracy in Latin America will traverse a distinct route and culminate at a different destination.

## ■ Historical Context and the Constraints on Social Democracy in Latin America

Are social democratic alternatives viable in Latin America? It is easy to respond to this question with the assertion that «the conditions don't exist.» After all, social democracy emerged and thrived in a particular place and time— northern and central Europe at the middle of the 20<sup>th</sup> century—under a specific set of societal conditions. Those societal conditions were not replicated in the United State (Lipset and Marks 2000) or Latin America historically, and they were a far cry from the conditions prevailing in Latin America today. Is it not «conceptual stretching» (Sartori 1970), then, to apply the term now to political experiments taking place in radically different geographical and historical settings? Is it not obvious that these political experiments and

their affiliated social and economic reforms are different from those which defined the social democratic model historically in Europe?

These objections are true, but also somewhat trite, as it is always possible to identify singular properties in a complex social reality. Some of the most prominent and concrete features of European social democracy—such as comprehensive and universalistic welfare states, high levels of trade union density, and tripartite corporatist bargaining—may not be fully replicable elsewhere. Indeed, Europeans themselves vigorously debate their ongoing viability in contexts of changing demographic structures, labor markets, and capital mobility (Huber and Stephens 2001; Pierson 2001). But as Sartori (1970) sagely suggested, generalizability is a function of the level of conceptual abstraction—and at a more abstract level, there is little doubt that at least part of the Latin American Left is engaged in a social democratic form of politics. That is, they are operating within the institutional constraints of representative democracy and the structural constraints of market economies to reduce inequalities and promote social citizenship. Stripped to its core, the essence of social democracy is the democratic reform of capitalism in the interest of social justice or equality. And surely, that is what much of the Latin American Left is striving towards today.

Embedded within this essential core are several implicit, but nonetheless crucial, definitional attributes that differentiate social democracy from both liberal democracy and from the Leninist branch of the socialist tradition (with which it shares common roots; see Berman 2006). Social democracy incorporates liberal democracy's respect for individual rights and liberties, along with its commitment to competitive elections as a set of institutional rules and procedures for managing political pluralism. It adds to liberal democracy an abiding concern with social and economic inequality, a willingness to use public authority to reduce those inequalities, and a commitment to forms of social citizenship that amplify the political rights of liberal democracy. In contrast to the Leninist tradition, social democracy pursues egalitarian objectives by means of democratic competition rather than a revolutionary conquest of state power. It also aims to reform capitalism rather than abolish it—in other words, it does not seek to eliminate private capital or the marketplace, but rather to subject them to forms of collective control and taxation so that they are accountable to larger societal needs. The reform of capitalism under democracy also distinguishes social democracy from much of Latin America's populist tradition, which pursued similar redistributive reforms, but often did so by concentrating political authority in the hands of a dominant personality or political movement in violation of democratic norms.

Clearly, a social democratic political project is more likely to emerge and thrive in some contexts than others. Indeed, structural and institutional conditions not only influence the *prospects* for social democracy, but also the political and economic features of any social democratic project that does emerge. European social democracy, for example, was heavily conditioned historically by the structural logic of capitalist industrialization, which concentrated large numbers of wage laborers in strategic urban industrial centers that were conducive to class-based collective action. In an institutional context where workers initially lacked suffrage and citizenship rights, collective struggles over wages and working conditions became naturally linked to larger struggles for democratic political rights. Hence was born the unique set of class-based socio-political institutions—namely, mass labor unions and labor-based socialist parties—that structured European party systems and political competition for the better part of the 20<sup>th</sup> century (see Bartolini 2000). The union-party nexus was central to the development of corporatist patterns of interest representation and the tripartite bargaining arrangements that helped make European variants of capitalism more «organized» than the liberal North American variant. Likewise, the union-party nexus shifted the balance of class power in ways that were conducive to the development of strong welfare states—highlighted by universal rights to social citizenship—as part of the democratic class compromise between capital and labor (Przeworski 1985).

Needless to say, structural and institutional conditions in contemporary Latin America bear little resemblance to those that gave rise to social democracy in Western Europe. Three structural differences stand out. First, delayed and dependent industrialization in Latin America never created a manufacturing sector as large and economically vital as that in most of the West European countries where social democracy thrived. Instead, the service sector ballooned as urbanization proceeded over the course of the 20<sup>th</sup> century. In 2006, manufacturing only accounted for 16 percent of the regional GDP (CEPAL 2007: 91), less than the figure for the 1970s at the end of the era of import substitution industrialization (ISI). If social democracy comes to Latin America, it will not arrive as the political correlate to heavy industrialization.

A second, and closely related, structural condition is the fragmented character of Latin American labor markets. The industrial labor force only comprises 21 percent of the economically active population in Latin America today, compared to 58 percent in the service sectors (CEPAL 2007: 42). Many of the latter are engaged in informal economic activities; regionwide, the percentage of the workforce employed in informal sectors ranges from a low of 30 percent in countries like Chile and Costa Rica to near-

ly 60 percent in Bolivia (Portes and Hoffman 2003: 56-59). Simply put, the industrial proletariat cannot provide the sociological foundation for a social democratic project in Latin America. Indeed, the «working class» writ large is unlikely to form a cohesive socio-political bloc, given the diverse structural locations and fragmented interests of formal sector blue and white collar workers, the informal sub-proletariat, and a largely informal class of petty entrepreneurs with highly ambiguous class positions. A social democratic project in Latin America will necessarily have a different, and more diverse, historical subject than that in Western Europe—a coalition or bloc of subaltern groups, rather than a social class.

Third, any social democratic project in Latin America must grapple with the structural realities of market globalization. European social democracy thrived in small countries that were relatively open to foreign trade but maintained significant national control over financial markets and fiscal and monetary policy (Katzenstein 1985). This relative autonomy allowed for the development of generous welfare states and vigorous industrial policies. The growing international mobility of capital, however, limits the maneuvering space of governments in developing regions. The threat of capital outflows or currency depreciation helps to «discipline» governments and narrow the range of viable policy alternatives (Mosley 2003). Governments cannot easily, for example, increase taxes or practice deficit spending in an attempt to strengthen social service provision. Similarly, trade liberalization creates intense competitive pressures on producers, whose ability to pay higher taxes, wages, or benefits may be limited by the competition from lower-wage Asian producers.

If these structural conditions create formidable challenges to social democracy in Latin America, organizational and institutional factors raise additional hurdles. Social democracy in Western Europe may have benefited from favorable structural conditions, but it was obviously not a structural inevitability. It reflected a basic shift in the alignment of class power in society, and for this re-alignment to take place, political organization was essential. Labor unions and their closely-allied socialist parties were vital intermediaries between the structure of industrial capitalism and the policy outcome of social democratic welfare states (Huber and Stephens 2001). It was this political organization that placed equality and social citizenship on the democratic agenda, contested state power in the electoral arena, and constructed the universal welfare states that became synonymous with social democratic policies.

On this organizational front as well, Latin American societies appear to be woefully lacking in the preconditions for successful social democracy. Trade union membership has sharply declined in most of the region since the end of the ISI era, and it is far below the levels attained in the European bastions of social democracy. The regional average for trade union density in the 1990's was approximately 13 per cent, down from about 22 percent at the peak level of labor mobilization during the ISI era, and a far cry from the 41 percent average registered in Western Europe during the heyday of social democracy (see Roberts, forthcoming). Labor unions in Latin America were historically strongest in the public sector and in industries producing for domestic markets—precisely the areas hardest hit by the debt crisis and market restructuring in the 1980s and 1990s. They have made little headway in organizing the heterogeneous labor force of the ISI era; workers in the informal sector and in export processing zones, along with those working on temporary contracts, have proven to be especially difficult to unionize. Increasingly, unions represent a narrow (and often relatively privileged) slice of the formal sector workforce, and they have largely ceased to be the organizational backbone of social mobilization in the region. Indeed, social protest against neoliberalism has often been led by new social subjects, such as the *piqueteros* and the urban poor in Argentina and the indigenous movements in Bolivia and Ecuador.

Likewise, the partisan dimension of traditional social democracy is very weak in Latin America. Populist and center-left parties in the region that often identified historically with the social democratic tradition were deeply affected by the collapse of ISI in the 1980's and the subsequent spread of neoliberal globalization. Several of these parties either collapsed electorally (i.e., AD in Venezuela, APRA temporarily in Peru) or transformed themselves into increasingly conservative, pro-market governing parties (including the MNR in Bolivia before its collapse, the PLN in Costa Rica, and APRA following its comeback in Peru). In other countries—namely Venezuela, Bolivia, and Ecuador—the Left is resurgent, but it remains weakly institutionalized in the partisan sphere. Social and political resistance to neoliberalism in these three countries found expression in mass protest movements and/or a dominant populist figure, but it is far from clear how social mobilization will be translated into durable political institutions that represent the interests of subaltern groups, shift the balance of power in society, and hold public officials accountable to their constituents. Indeed, given the collapse of traditional party systems in all three countries and the efforts by new leftist governments to re-found the constitutional order, it is not clear whether social and economic

reforms will proceed in a context of institutionalized pluralism—as with social democracy historically—or under a plebiscitarian form of popular sovereignty.

Notably, the leftist movements that have come to power in Venezuela, Bolivia, and Ecuador are all «new,» in the sense that they were born in the popular backlash against neoliberalism that plunged both democratic regimes and established party systems into crisis. All made regime change their top priority, believing that political and institutional reform were preconditions for a meaningful change in the development model. The weakness of institutionalized political opposition, the presence of windfall oil and gas rents, and recent experiences with intense social mobilization have encouraged the Left in these countries to think in terms of ambitious transformative projects and new forms of popular sovereignty, rather than the incremental, carefully negotiated compromises associated historically with social democracy.

These experiences are in striking contrast to those of the leftist parties now governing Chile, Uruguay, and Brazil. Chile's Socialist Party (PSC), Brazil's Workers' Party (PT), and Uruguay's *Frente Amplio* (FA) are all relatively well-institutionalized parties (or coalitions, in the Uruguayan case) operating in democratic regimes that are among the most consolidated in Latin America, and in party systems that present them with serious power contenders on the center and/or right. In short, all operate in contexts of institutionalized pluralism, with checks and balances that restrain their reformist ambitions. All accessed state power by means of an institutionalized alternation in public office that reflected the maturation, rather than a crisis, of national democratic regimes.

These three parties have deep roots in Latin America's socialist tradition. All experienced the trauma of political repression under bureaucratic-authoritarian rule, and they lived through the collapse of ISI and state socialism in the Soviet bloc. These experiences exerted a moderating effect, inducing leftist parties to abandon maximalist goals and embrace liberal democracy as an institutional space to safeguard civil liberties and manage political conflict. Likewise, these parties tempered their critiques of neoliberalism with a recognition that global market integration had narrowed the range of viable alternatives. They represent, in effect, a post-Marxist Left that has striking similarities to Europe's social democratic Left, highlighted by a commitment to the democratic reform of capitalism in the interests of social equity.

Is it possible, then, to speak of a post-bureaucratic authoritarian road to social democracy in Brazil and the Southern Cone, whereby a chastened, post-Marxist Left maneuvers within well-defined structural and institutional constraints to reduce inequalities

and extend social citizenship norms? Clearly, the parallels to European social democracy are imperfect. Labor movements in the three countries have weakened over time; while the FA in Uruguay retains close ties to organized labor, and may be sponsoring a revival of the union movement and corporatist forms of representation, the PT and the PSCh are increasingly detached from labor and popular movements. Furthermore, all three parties have proven to be cautious reformers in office, avoiding sharp breaks with the neoliberal development models that they inherited. Indeed, all have adopted relatively orthodox macroeconomic policies, clearly wishing to avoid the market backlash and capital flight that would surely accompany any relaxation of fiscal and monetary discipline.

Nevertheless, the demise of the Washington Consensus has opened political space for policy experimentation, and the post-2003 commodity export boom has relaxed the fiscal and foreign exchange constraints on some types of policy initiatives. In particular, incremental reforms are underway in the social policy sphere—reforms that are designed to reduce inequalities, raise the income and living standards of the poorest sectors, and extend social protection and citizenship rights to underprivileged groups. In Brazil, the Lula government has backed away from the PT's historic commitments to structural reform and downplayed promises for land redistribution that once linked the party to the powerful movement of landless workers. The PT has, however, sharply increased the minimum wage and expanded the social assistance programs known as the *Bolsa Familia* that it inherited from the administration of Fernando Henrique Cardoso. As a conditional cash transfer program targeted at the poorest families, the *Bolsa* does not break with the social policy orientation of the neoliberal model. Under the PT, however, the scope of the program has expanded rapidly, reaching an estimated one quarter of Brazilian citizens by the end of Lula's first term in office. And by coupling targeted social assistance with generalized wage hikes, the Lula government has succeeded both in reducing the percentage of the population living below the poverty line and redistributing income downward, while maintaining fiscal and monetary stability—no small achievement in light of the country's troubled economic track record (see Hunter and Power 2007).

Governing Left parties in Chile and Uruguay have also coupled macroeconomic orthodoxy with social policy innovation. In Chile, the center-left coalition government led by Socialist president Ricardo Lagos inaugurated a new targeted poverty assistance program, which his Socialist successor, Michelle Bachelet, has sought to extend to new groups of beneficiaries. More impressively, perhaps—and more in line with



social democratic norms—the Lagos and Bachelet administrations have taken cautious first steps toward the creation of universal forms of social citizenship in their health care and social security policies. Lagos launched a new health care plan that provides universal guaranteed coverage for 56 illnesses, and Bachelet has extended the program to cover an additional set of illnesses. Bachelet has also proposed an ambitious reform of Chile's privatized pension system, which has failed to provide adequate coverage for many women and for workers with a history of informal or irregular employment. The proposed reform would provide a basic universal pension for all citizens in lower income categories, irregardless of their work history, and thus greatly reduce the current inequalities rooted in differential labor market participation (Pribble and Huber, in progress).

In Uruguay as well, the FA government of Tabaré Vázquez has moved quickly to develop both targeted social assistance and more universal social protection plans. The new government initiated a family allowance program for low income families and provided subsidies for their expenditures on food, water, and electricity. It has also expanded eligibility in the pension system for non-contributors, provided subsidies to private firms that hire unemployed workers, and increased funding for public education. Health care reforms have sought to improve the quality and access to the public care system, and the government has increased wages and expanded collective bargaining by reviving corporatist tri-partite salary councils. It has also extended collective bargaining to workers in the public sector and the rural economy. Despite substantial political opposition, in both Uruguay and Chile the new governments have taken steps to reform tax laws and strengthen the revenue base for their ambitious new social programs (Pribble and Huber, in progress).


Clearly, these measures remain well short of the ambitious redistributive policies and social citizenship norms developed under European social democracy. Indeed, they do not, as yet, indicate that Latin America—or even particular countries within the region—have crafted a comprehensive alternative to the neoliberal model of development. Macroeconomic policymaking remains highly constrained by global market pressures, and has yet to depart significantly from neoliberal orthodoxy in the absence of windfall oil rents. Only limited efforts have been made to revive industrial policies, corporatist bargaining, and other conventional indicators of social democratic policymaking. Targeted poverty relief measures are, at best, an extension of neoliberalism's market-conforming social policies, while more universal forms of social protection are still in gestation. These policies, and the shape of reformulated welfare states, are heavily conditioned by the social legacies of market restructuring in Latin America—in particular, the challenge of incorporating the urban poor and informal

sectors into comprehensive social welfare programs, and the unstable, fragmented character of the workforce under flexible labor markets that have been only minimally re-regulated under new leftist governments.

Given these social legacies, new leftist governments cannot draw on the political leverage of cohesive and well-organized labor blocs as a counterweight to the structural logic of the marketplace and the structural power of private capital. Nevertheless, neoliberal reforms left a diverse array of social groups vulnerable to market insecurities, and in classic Polanyian fashion (Polanyi 1944), they have begun to mobilize political claims for social protection. The fragmented social landscape of the neoliberal era ensures that such claims, to be effective, will have to coalesce in complex and (most likely) tenuous socio-political coalitions.

As this essay suggests, the institutional expression of these coalitions may vary widely. Where transitions to neoliberalism—whether completed or aborted—left democratic regimes in crisis and party systems in tatters, popular resistance spawned new populist or leftist movements that are reconstructing political systems and reasserting state controls over natural resource rents and other spheres of economic activity. While new leftist governments in Venezuela, Bolivia, and Ecuador may initiate redistributive policies and new forms of social protection, their non-institutionalized political logic leaves them far removed from conventional social democratic models. Alternatively, in Chile, Brazil, and Uruguay, where democracy is robust and party systems intact, claims for social protection have been channeled through established party organizations and are now being translated into innovative policies that have begun to make a dent in the social deficits of the neoliberal model. While not replicating the comprehensive welfare states of European social democracy, they clearly represent a Latin American variant of the democratic reform of market outcomes.

Neither of these trajectories means that Latin America has left the neoliberal era behind. The emerging institutional forms and policy alternatives remain too nascent, fluid, and politically contingent for bold assertions about the future course of development. What is certain, however, is that the era of market-based economic adjustment and technocratic consensus—what some characterized as «the end of politics» (Colburn 2002)—has run its course. A very political struggle to define the contours of the post-adjustment era is underway, and variants of social democracy comprise one of the alternatives in play. These variants inevitably bear the mark of Latin America's distinctive experience in combining democracy with market reform, and they are

rooted in the inherent tensions between democratic citizenship and social exclusion. The political future of the region will be heavily conditioned by alternative strategies for reconciling these tensions. 

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