

Crisis and Renewal in the Left

In the late 1980s the left reached the climax of a crisis that had begun almost twenty years before. In the developed countries it manifested itself as the crisis of the welfare state. In those countries that had previously been communist it was the crisis of the state and of the statist mode of production. In Latin America it was also a crisis of populism and of the national-developmental strategy. It is essential to reconsider the issue of the left in Latin America as well as in the rest of the world. Yet it is also essential to reconsider our view of Latin America, as I have been doing throughout this book. Only through a new approach to the causes of the Latin American crisis will we be able to understand the new left that is emerging.

In this chapter I briefly analyze the general crisis of the left and then examine the case of Latin America in particular. I will show that the analysis and development strategies of the Latin American left were appropriate for the period from the 1930s to the 1960s, but that since the early 1960s reality has moved beyond both this analysis and this strategy. The crisis of the left, which took place throughout the world beginning in the 1970s, came to Latin America somewhat later—in the 1980s—as an outcome of the breakdown in its development strategy. Finally, beginning in the mid-1980s, a modern social-democratic or social-liberal left began to emerge in Latin America that came into conflict with the old left of the 1950s.

It was the right that was in crisis from the 1930s to the 1960s. Two world wars, the increasing strength of unions, and the Great Depression of the 1930s made it clear that economic liberalism combined with political conservatism was incapable of promoting development and guaranteeing domestic and international peace.

The old liberal conservatism was a social philosophy based on the principles of tradition and social order. It defended inequality in the name of inherent rights. It was elitist if not racist. It was based on the belief that the market was the best and the only way to regulate the economy. This liberal belief, which went on the defensive in the 1930s, reemerged in the 1970s with new strength; it had been modernized and was intellectually sophisticated. Thus a new conservatism—neoliberalism—manifested the thinking of the right in a renewed and aggressive form.

Among economists this new right corresponds to the Austrian, monetarist, new classical, and rational choice schools. It is the neoliberal right. It is the right whose rhetoric is based on the principles of efficiency and competition. As is characteristic of all conservative thinking, it values order over justice. It justifies inequality, although in the name of stimulating the economy and promoting efficiency rather than in the name of racial or class "rights."

As the right recovered its forces, the left entered a period of deep crisis beginning in the 1970s, following the surge of renewal of the 1950s and 1960s and the 1968 student revolution. This crisis had one fundamental cause: the statist development strategy espoused by the left, which had been successful from the 1930s to the 1960s, was no longer successful in the mid-1970s.

From the 1930s to the 1960s the development strategy of the left was dominant throughout the world.¹ The experiences of the Nazi and fascist right are a tragic exception to this general trend, as is the Stalinist experience in the Soviet Union. There are three lefts that are relevant to our analysis of this historical period: that of the Soviet Union, where the communist left was dominant; that of the developed capitalist countries, where the social-democratic and the Keynesian left (progressive or "liberal" left, according to North American terminology) supported the welfare state; and finally that of the developing countries in their initial phase of industrialization, where an interventionist and protectionist left was geared toward the national-developmental strategy.

Since the 1930s these three lefts, each characterized by a strong bureaucratic or technobureaucratic social component,² have replaced the right in defining socioeconomic strategy for their respective societies. They were initially fairly successful. The economic crisis that fostered their rise to power was overcome during World War II. The outcome was increasing development and social advances. However, in the late 1960s problems began to grow, and by the 1970s the state-led development model supported by the left had lost its strength throughout the world.

I have been describing a political cycle, but we must also consider the effects of the economic cycle, the long Kondratieff cycles, as well as a cycle of state intervention in the economy. These cycles reached their peak in the early 1970s and subsequently began their descent. In the capitalist countries the growth of production per capita began to slow down. The growth rate of income per capita decreased to half what it had been twenty years before, and the unemployment rate increased. At the other extreme is Soviet-style statism, whose stated goal was to foster socialism through eliminating private ownership of the means of production. Here the initial growth was based on a vast mobilization of resources and forced savings, but this growth could not be maintained. The crisis of statism was unleashed with the advent of perestroika in 1986 and reached its high point in 1989 with the demo-

cratic revolution in the Eastern European countries and the collapse of communism. Finally, there is the interventionist protectionism of the Third World, particularly that of Latin America. The import substitution strategy had been successful in establishing the bases for industrialization, but it had gone as far as it could by the 1960s, although it continued to survive into the 1970s, propped up by foreign debt. By the first years of the 1980s stagnation in income per capita and high inflation rates demonstrated the conclusive failure of this model.

This is the crisis of the left. More precisely, it is a crisis of the strategy of the lefts, which suddenly appear to lack a development project. The strategies of the welfare state in the First World countries, of sheer statism in the former communist countries, and of protectionism in the Third World are no longer appropriate.

Whereas it is clear that the left is in crisis, it is necessary in our definition of the left to differentiate what is essential from what is secondary. Only then can we understand why the left will always exist and why, with each new crisis, it must be renewed to continue to play its historical role as a transformer—a key ingredient of what is usually called the left. What is essential in conceptualizing the left is the priority it gives to justice over order, its willingness to risk disorder—up to a certain point—in the name of justice. It holds the optimistic belief that society tends toward transformation and improvement. Another fundamental conviction is that the market alone is incapable of automatically regulating the economy and society, requiring some degree of state intervention. Finally, it is essential to keep the vision (even if it is a utopian one) of democratic socialism on the horizon. This is not to be confused with the elimination of private property, much less with statism—rather, it depicts a degree of democracy and social equality far greater than that existing in capitalism today.

To attain these goals and overcome this crisis, the left needs a new development strategy. It must develop a new historical project. However, at this point, rather than delving into a discussion of the general crisis and the definition of this new project within the developed countries, I concentrate my attention on Latin America and the Latin American left.

In Latin America the Great Depression of the 1930s signaled the crisis of conservative oligarchic domination and the rise to power of populist parties and governments. Populism is not exactly an ideology or a political practice of the left, but Latin America's parties of the left did participate in populist governments and often became confused with them, even though some of the more radical sectors of the left were frequently repressed by these governments. This identification—although relative—of the Latin American left with populism does have some validity, especially for those political sectors that were moderate and reformist, but also for the communist left.

In the populist pact this left was allied with industrial entrepreneurs, with modernizing sectors of the agrarian-commercial oligarchy, with the middle-class technobureaucrats and intellectuals (where the left had its strength), and with urban workers. Its role was intellectual: to provide leadership in setting the framework for the analysis of Latin American underdevelopment and establishing a development strategy.

The analysis made by the left between the 1930s and the 1950s was fairly simple and basically correct. Latin America was an underdeveloped agro-export region in transition from precapitalism or mercantile capitalism to industrial capitalism. The cause of its underdevelopment or, more precisely, the major obstacle to development lay in the primary export nature of the Latin American economies and in the unequal trade established between industrialized products from the center and agricultural and mineral products from the periphery. Industry in Latin America was still in its infant stage and was permanently threatened by competition from the industrialized countries. The agrarian-mercantile bourgeoisie, allied first with English and later with North American imperialism, was opposed to industrialization, which ran counter to its interests, using liberal arguments—particularly that of the law of comparative advantage of international commerce—to justify its opposition to industrialization, which was viewed as “artificial.”

Based on this economic and political analysis, the development strategy of the left was uncomplicated and coherent. Industrialization was defined as its primary objective. In order to industrialize, it was necessary to take a basically nationalist position against “imperialism”—in reality, against foreign competition. An infant industry called for protectionism as a fundamental strategy to promote its growth. A domestic market, varying in size, already existed in each country. This market, if duly protected, could be supplied by national industries. Here we have the import substitution model of industrialization. In those cases where raising import barriers alone was insufficient to stimulate private investment (especially in capital-intensive infrastructure sectors such as energy, transportation, and basic inputs), the state would have to make direct investments.

This long-term strategy was complemented by a populist tendency, in the short term, to disregard or minimize budgetary limitations. Terms such as *adjustment* and *stabilization* were prohibited or viewed negatively. The public deficit was understood as a “Keynesian” approach to stimulating effective demand and fighting unemployment and idle capacity. Nominal wage increases (which, in fact, did not turn out to be real increases because of the accelerated rate of inflation) were also viewed as Keynesian approaches to stimulating effective demand. Foreign debt was seen as a more appropriate way to finance development than direct investment by multinational enterprises. However, because there were no ready sources of capital, Latin America had to be content with multinational investments. Although this was opposed by the more extreme sectors of the populist pact,

it was accepted in principle by the dominant tendency. This type of nationalism was only protectionist: it protected local industry against competition from imports, but it did not oppose direct investments by multinational companies.

Despite being subject to recurrent crises—because of its populist nature, which caused balance-of-payments crises and subsequent orthodox stabilization programs—this view was dominant and largely successful in Latin America from the 1930s to the 1960s. There were, of course, some internal disputes. The left, within the bounds of the populist pact, tended to favor more state control and to be more nationalist than the industrial entrepreneurs. The latter were not always disposed, at least in theory, to accept the analyses and strategies proposed by the left, considering it to lean toward state control and nationalism. But in practice the entrepreneurs benefited from and supported the populist national-developmental strategy. Industrialization in Latin America showed enormous growth beginning in the 1930s. And until the 1960s, the success of this strategy was undeniable—one need only look at the data on the growth of product and on the increased industrial share of this product to realize it.

Yet it is significant and paradoxical that the left's development strategy did not promote income distribution. Nationalism, developmentalism, protectionism, the emphasis on the domestic market, forced savings by the state, and the application of these savings in either creating state enterprises or subsidizing private enterprises—these were the foundations of the political economy of the left, but they fundamentally favored private accumulation. This explains how, following the crisis of the 1960s, this populist strategy—which had never been exclusively an approach of the left—became the national-developmental strategy of the Latin American establishment, including the military.

The first clear symptoms of the crisis of the populist development strategy began to appear in the 1960s. The authoritarian technobureaucratic-capitalist regimes that were established at that time in Latin America, starting with the 1964 revolution in Brazil—a model for other countries—were the response to this crisis. In fact, the new regimes were an extension of the national-developmental strategy of industrialization but with the radical exclusion of the left and the workers, who, during the populist period, had a voice. It is significant, however, that the right, which now held power alone, had no alternative proposal. Its goal continued to be industrialization, its fundamental strategy remained import substitution, and its main tool was still the state-owned enterprises. In fact, this last characteristic became more pronounced because authoritarian regimes are the fruit of the alliance between the bourgeoisie and the state technobureaucracy whose power, by definition, originates in the state.

Only one thing was new about the authoritarian development strategy,

aside from its supposedly antipopulist “modernizing” character. What was new was foreign debt. This debt, which had not been possible in prior decades, had now become viable. The formation of the financial Euromarket and the need to recycle petrodollars made the supply of lending capital abundant in the 1970s. All of the Latin American countries went into debt. Debt became the form par excellence for authoritarian regimes associated with international capital to guarantee the survival of the old development strategy.

During this period, particularly in the 1970s, the left undertook some sort of self-analysis and self-criticism, but it was very limited. The left realized that until the 1960s it had not paid enough attention to the issue of democracy, and it began to do so. It also realized that multinational corporations were not necessarily opposed to economic development. Finally, it came to realize the concentrating effects of the existing model of industrialization, but it attributed them to the authoritarian policies adopted by the military regimes instead of recognizing the intrinsically perverse character of the highly capital-intensive import substitution strategy.

The import substitution model and the protectionism upon which it was based were not subject to criticism. Domestic market-oriented industrialization (*industrialization hacia adentro*) continued to be the priority. International competitiveness was ignored. Technological development was hampered because it was a victim of an analogy with import substitution. Although it was not really viable, the goal in terms of science and technology was also autarky—competence in all sectors—rather than excellence in certain sectors that could be internationally competitive. In terms of short-term economic policy, ideas such as economic stabilization, fiscal adjustment, elimination of the public deficit, and austerity measures were shunned. These would be the inventions of the monetarists, the proposals of the International Monetary Fund, and the creations of the right. Marx, Keynes, and Schumpeter were spuriously invoked to justify these views.

Since the 1960s the Latin American left has been in crisis because its development strategy lost validity. Yet the left was not aware of its own crisis because all of its strength was mobilized in the struggle for redemocratization. Through the 1970s, not only the left but the right as well failed to perceive that the old approach to the causes of Latin American underdevelopment was no longer adequate and that a new strategy was necessary to stabilize the economy and promote development once again.

The old approach was no longer correct because it had been superseded by the facts. Latin America was no longer a continent in transition to capitalism but, in fact, was capitalist, even if its capitalism was archaic and exclusionary. Latin American industry was no longer an infant industry but a mature one, although not internationally competitive. The inability of many industries to compete internationally was not the result of their being

new but rather a result of the insufficient dimension of the national market and the lack of incentives to incorporate technical progress, given an excessively protected domestic market.

The old development strategy was no longer functional. With the decline of the import substitution model, it was necessary to orient the Latin American economies toward exports and international competitiveness. In the first phase of industrialization the state had been the principal agent of forced savings and accumulation of capital; now the fiscal crisis of the state required that these functions be transferred to the private sector. The import substitution model and strong state intervention are effective in the first stage of industrialization, when forced savings and accumulation take precedence over cost reduction or efficiency. But in a second stage countries should adopt a market-oriented, export-led strategy geared toward the efficient use of resources.

Through foreign loans the authoritarian regimes were able to postpone economic reform and fiscal adjustment in the 1970s. The outcomes were serious macroeconomic imbalances and a large foreign debt. When the process of increasing indebtedness ended in the early 1980s the state in the Latin American countries fell victim to a fiscal crisis. The time for its growth had ended, and it needed to be trimmed down. It was time for fiscal adjustment, privatization, deregulation, and trade liberalization. The renewed state was now supposed to intervene in new areas, promoting social welfare and international competitiveness.³

In the 1980s the crisis of the Latin American economies engendered by the foreign debt finally exploded. This was the time for the left to acknowledge that the national-developmental strategy it had promoted from the 1930s to the 1950s was no longer relevant. The change took place, but rather slowly. An intellectual transition that was similar—although in the inverse direction—to the one required by the conservatives in the 1930s was now being asked of the left. Broad sectors of the left continued to think in 1950s terms, with nationalism and state control as their basic tenets. This archaic group mixed what was essential to the left—the effective commitment to income distribution and democracy—with a development strategy that, by definition, was transitory.

The Latin American right, which also needed to change because it had adhered to a state-led growth strategy, understood the new situation more quickly. When it was in power with the military, it had also adopted a national-developmental strategy, but liberalism is germane to conservative thinking. Nationalism was never fully accepted by the right, given its ideological ties with international capitalism.⁴ Its thinking tends to be ahistorical, regarding each strategy as either permanently adequate or permanently inadequate. It does not understand that a development strategy based on protectionism and state intervention can initially be efficient and later become inefficient. When the failure of the national-developmental strat-

egy was made clear, conservatives forgot their previous commitment to a state-led development strategy and became liberal if not radically neoliberal. Many felt triumphant.

The left remained in deep crisis. In addition to the crisis of the old development strategy, there was a crisis of the left on an international scale, marked by the collapse of communism and the evidence that the mere elimination of private property no longer constituted the route to socialism. As an outcome, an intellectual transition took place among many of the left's representatives. Social democracy, which in the past had been viewed with mistrust, was now becoming increasingly accepted. Economic populism, old-time nationalism, and statism were shunned. Those among the left developed an awareness of its crisis and of the need for modernization.

A new left has been emerging in the central countries since the 1970s. On the one hand, it has strongly criticized the statist or bureaucratic social formations that prevailed in the so-called socialist countries and the reduction of Marx's thought to a bureaucratic orthodoxy. On the other, this new left recognizes new realities: the environmental and feminist movements; the conception of democracy as a radical process of change; and the struggle for less-alienating labor conditions in which, through participation, workers' creativity is stimulated. Further, it addresses the social-democratic project of managing capitalism (to which there is no practical alternative today) more competently and fairly than have the conservative political parties. This new social-democratic, moderate left remains faithful to Keynesian ideas but does not mix Keynesian economic policy with economic populism.

All of these new ideas and tendencies from various quarters make up the new left—a modern left that has been developing in many ways. During the 1960s we heard about a “new left” in the developed countries. In the 1970s in the United States, inside the Democratic Party a new current of progressive politicians, whom some people identified as “Kennedy's children” and William Schneider (1990) mistakenly called “neoliberals,” was born. These young politicians gave far greater emphasis to the market than to efficiency, and thus they were often mistakenly seen as conservatives. Schneider (1990:4) asked congressperson Andrew Maguire, who belongs to this group, if he considered himself a “liberal” in the U.S. meaning of the word (therefore a member of the progressive, moderate left). He replied affirmatively and added, “We have been trying to redefine the word. We have been trying to say that the words liberal and conservative are misleading rather than enlightening.” These new progressive politicians aimed at blending the “liberal [progressive] tradition with the values of pragmatism, efficiency and good management, so that things would work out” (Schneider 1990:5).⁵ Bill Clinton's victory in the 1992 U.S. presidential elections was an outcome of this concept of modernity. The concept has some points of contact with the neoliberal perspective but is also clearly different from it. In fact, although

the United States has no social-democratic political party, Clinton's modernity is a social-democratic modernity. Clinton and his associates are as committed to the market as they are to social welfare. They count on the market and the state to coordinate the economy. They know that a true democracy demands the assertion not only of political rights but also of social rights.

Thus there is a new left in the world and also in Latin America. It is a modern left or an archaic left, as opposed to the Latin American left of the 1950s. In Brazil the Workers Party (PT), founded in 1980, appeared to be preordained to take on the role of the modern left to the extent that its cadres were among the most modern sectors of the Brazilian working class. Yet this party has, to a great extent, incorporated the ideology of the nationalist and protectionist left. We do not yet know whether the PT can become a modern party of the left. In the late 1980s, after the Brazilian Democratic Movement Party (PMDB) turned into a merely populist party, the Party of the Brazilian Social Democracy (PSDB) was founded. The PSDB purports to be the Brazilian expression of the new left, but the difficulties it faces are great—to the extent that the party's modern left is continually confronted by the old left, together with center-right sectors and sectors representative of political favoritism very similar to those found in the PMDB. During the 1989 presidential campaign its platform paper, "Challenges Facing Brazil and the PSDB," exemplified this party's attempt to define itself as the voice of the modern social-democratic left. The victory of its candidate, Fernando Henrique Cardoso, a leading intellectual, in the October 1994 presidential elections finally opened the opportunity for this new left—committed to fiscal discipline and market-oriented reform, as well as to social justice—to put its program into practice.

Nevertheless, the old left still exists. It exists not only in political parties but also in the minds of many who think of themselves as members of the left, as well as among those of the right who, in criticizing the left, identify it with the archaic left. This old left does not understand the changes that have taken place in Latin America, does not understand that the strategy of the left has changed or needs to change, and accuses those who have changed of being conservative, of belonging to the right. My experience in the Finance Ministry in 1987 clearly illustrated this.⁶ In the 1994 presidential election, the fact that Cardoso received the support of the moderate right was strongly criticized by the old left, which supported the PT candidate, Luiz Inácio Lula da Silva-Lula. Intellectuals and politicians of the right, for their part, do not see that a substantial part of the left has changed, and they continue to rhetorically define the entire left in terms of the archaic left.

The new left, however, is a reality. It is a reality in the social-democratic parties in Europe. The new democrats in the United States and President Clinton are the U.S. manifestation of this new and very moderate left. It has not yet come to power in Latin America, except as a part of political coalitions (in Chile in 1990 and Brazil in 1995). The new left rejects

populism, nationalism, a protectionist strategy, and the chronic imbalances in public finance that defined the old left. It also rejects internationalism, the belief that the developed countries embody truth and rationality; it rejects neoliberalism, a rhetorical argument in favor of the minimal state; it rejects individualism and radical pessimism and is moderately optimistic with regard to the possibilities of social solidarity; it rejects the merciless emphasis on production espoused by the new right. The new left affirms the creative values of democracy; it considers a more equitable distribution of income as its fundamental objective; it will risk disorder for the sake of democracy and social justice. It is a social-liberal left because it asserts the superiority of the market in coordinating the economy but does not disregard the complementary activity of the state in the social domain and in promoting science and technology. The new left wants to promote new forms of labor participation. It is prepared to govern capitalist economies, considering itself more capable than the capitalists themselves at managing those economies. The new left understands that social democracy is not the answer to all of the world's problems or even to those of the left, but it is convinced that by promoting a social-democratic capitalism, democratic socialism will one day be possible.