

A NEW LEFT IN THE SOUTH?

Luiz Carlos Bresser-Pereira

Policy-Network, www.policy-network.org/

In most cases, being left-wing in the South still means being statist, developmentalist and a nationalist. In fact, although there is no strict correlation between levels of economic growth and democratic governance, the two variables appear to be closely related. With some notable exceptions such as Chile, a Modern Left has yet to emerge in Latin America, despite the advances in democratisation in the last 15 years.

The fourteen social-democratic heads of government that gathered in Berlin earlier this year for the meeting of the Progressive Governance group represent the new left, more specifically the new social-liberal left, that has overcome the old historical divide between liberalism and socialism. Four major ideologies shape modern capitalism: liberalism, democracy, republicanism, and, last but not least, socialism. Capitalism – a method of organising production and property – is not opposed to socialism, but to statism: to the state ownership of the means of production. Identifying socialism with statism has been the left's historical mistake which is only now being recognised.

The new left, the modern left, that characterises contemporary capitalism, combines social with individual rights, the market allocation of resources with active state regulation. It may have different guises: the Third Way, New Democrats, progressive governance, modern social democracy, and vary from country to country, but its basic values are the same. While conservatives view inequality as natural, the new social-liberal left sees social inequality, particularly inequality of opportunity, as intrinsically unjust. The modern left increasingly identifies itself with democracy since democracy empowers the poor and legitimises demands

for social rights. The practice of democracy may pose a limited risk to social stability but it increases popular participation in political affairs, and therefore, the risk is justified. The close relationship between democratic and socialist ideals derives from this shared disposition to incur limited risk.

In Europe there clearly is a new left. It first appeared in Scandinavia, and in Germany with Helmut Schmidt; later in Spain and France, with Felipe Gonzales and François Mitterrand; and finally in Britain, where Tony Blair and a group of New Labour intellectuals proposed the Third Way, and gave the new left a more precise formulation. The emergence of a new left in Western Europe, market-oriented but committed to social justice, has opened up new political perspectives.

In the developing world, however, one cannot yet speak of a new left or of progressive governance. Most political parties situated on the left of the political spectrum are not characterized by market orientation and the combination of liberal and socialist values typical of the new left. In the South the left still espouses statism, developmentalism and nationalism: it is still old left.

I can understand why the old left is nationalistic. People in developing countries are still building their respective nations. Even a new left needs to be nationalist, since domestically it will come up against “globalist” elites which ignore the existence of national interest. In the North citizens and politicians have no doubt that governments should protect the interests of the nation’s labour and capital, so that nobody is “nationalist” because everybody is in this particular respect. In lesser developed countries, conservative elites doubt the very existence of national interest.

The fact that the old left in these countries is developmentalist is less acceptable. “Developmentalists” are economic populists who oppose “monetarists”. In rich countries, developmentalism is often seen as an evil by the new left, while the old left in developing countries still perceive it as a good. Developmentalists believe that there is a trade off between economic growth and inflation, and opt for low inflation at the expense of economic growth. They fail to understand that this is a false trade-off since fundamental macroeconomic discipline is essential for economic growth.

The real choice is between competent and incompetent macroeconomic policy. Competent policymaking is not a matter of setting interest rates at a comfortable level which still allows inflation to remain under control, as many central bankers in the developed world do, and many international financial organisations suggest. This approach may bring inflation under control but unemployment will remain high and the rate of growth will be slower than it both could and should be. It is not necessary to be developmentalist to promote growth. There is no trade-off between inflation and economic growth. But economic growth can only be maximized when there is permanent tension between aggregate demand and supply, when interest rates are as low as possible within the framework of low inflation.

Finally, to be statist today makes no sense. It is as senseless as being libertarian or ultra-liberal (which in Latin America we call neo-liberal). But if it is true that pure statism has disappeared, distrust in market co-ordination is still pervasive in Latin America's old left. Statism is often identified with protectionism, despite the fact that today most Latin American countries need the benefits of free trade more than developed countries. Today, those countries which have "reasonable" domestic political reasons for being committed to protectionism are the rich countries, not the less developed ones.

Populist policies from both the left and right characterized economic policymaking in Latin America until the Great Crisis of the 1980s. Populist cycles were short, ending in high inflation and financial crisis, but they were repeated because they offered a way of dealing with the high concentration of income and poverty. After the Great Crisis, conservative policymakers learnt that populism did not solve the problem, but they failed to adopt a competent macroeconomic policy and address distributive conflicts. Instead, they turned to a "neo-populist" policy of controlled public expenditure, an overvalued local currency and, consequently, artificially inflated wages.

Could the situation change? Could a new social-liberal left emerge in the lesser developed countries of Latin America, able to candidly but effectively address and solve the distributive incompatibility that has only worsened in the last thirty years? I believe so. As soon as the left assumes political power at the national level, it will have to submit to certain economic constraints. It will have to maintain basic macroeconomic stability, respect the veto

power of entrepreneurs in relation to physical investment and the veto power of financial institutions in relation to credit. At that moment, if it is smart and imaginative enough, it will realise that to be elected and secure re-election, it must first find ways of reducing to a minimum the monopoly power and sheer corruption caused by vested interests; second, guarantee business a satisfactory rate of profit; and, third, increase wages and social benefits at least in line with increases in productivity.

This is not a simple task. This is the “middle way”, and the path is narrow and littered with obstacles. But, wherever the left has chosen to competently follow this path (and it is the only political group that can consistently follow it), it has enjoyed the support of the people. And, in democracies, particularly in new democracies such as in Latin America, where people’s social demands have been consistently disregarded by incompetent conservative elites, this is ultimately what matters.