

THE NEW LEFT VIEWED FROM THE SOUTH

Luiz Carlos Bresser-Pereira

Giddens, Anthony, ed. (2001) *The Global Third Way Debate* : 358-371.

In this discussion I shall primarily discuss ideas, not governments or administrations. I will examine the historic form the left assumes in current times – how the new social democrats have been able, through these ideas, to distinguish themselves from the old social democrats and from the conservative new right, to conquer the center, and to win elections. The first country where this clearly happened was in Spain, in the early 1980s. It was, however, in Britain, with the third way, that the new left gained a more precise conceptual character. I will focus upon the differences between the new and old left, and the new right, in relation to the globalization issue. I will give special attention to what is or should be the new left in a developing country like Brazil. And, in conclusion, I will ask if these ideas will tend to produce good outcomes or not, if they will foster better government and better states, or will be ineffective.

Historical perspectives

Starting in the early 1970s we witnessed a crisis that was marked by reduction of the growth rates and concentration of income in practically all countries except the well-known cases of East and South-East Asia. This crisis was essentially a crisis of the state — as the 1930s crisis was a crisis of markets. Its most evident political outcome was the shift of the political center to the right, which caused a crisis in the left, while a neoliberal or libertarian right advanced in all fields. In the 1990s, when the failure of the neoliberal proposals in stimulating growth and redistribution of income became apparent, the pendulum again started to move, now towards the left. Probably never before have such a great number of governments been social democratic as today.

This 20-year-old crisis allowed for the emergence of a new center-left: the new democrats in the United States, the third way in Britain, the new center in Germany, the

new left in France and Italy, modern social democracy in Brazil This change was possible, first, because the neo-liberal new right failed in fulfilling its vows. Uncontrolled markets produced unprecedented levels of social insecurity and of income concentration, without having economic growth as a trade-off. The old right's conservatism was based upon respect for order, for traditional institutions and professions; the new right's conservatism is essentially contradictory to this. Actually, it is a strange conservatism, which, as a well-known political theorist, John Gray, asserts, had the effect of undermining real conservatism as a political project.¹ Neo-liberal policies brought about social problems that new right politicians do not know how to face. In his words, "the hegemony, within conservative thought and practice, of neo-liberal ideology had the effect of destroying conservatism as a viable political project in our time."

Second, the new left won elections, defeating the right in most developed countries, because it was able successfully to criticize both the neo-liberal right and the old left, while presenting new and pragmatic programs in the respective countries. The fall of the Berlin wall in 1989 produced an enormous literature on the "crisis of the left." Actually, its outcome was a crisis of the old left, while the new left was strengthened given the decades-old critique it had been directing toward the Soviet system. In its turn, the new right, which assumed a triumphalist attitude, commemorating "the definitive victory of markets over state," soon realized that its reforms, although necessary, were not being well received by voters, given their unnecessary radicalism and poor results – and got into its own crisis.

The new left politicians are only favored by the left's intellectuals while they are out of government. The moment a given social democratic party uses the new ideas to win elections, and comes to the challenge of transforming them into effective public policies, intellectuals feel uneasy. This recently happened with New Labour in Britain. In Brazil, this is a permanent phenomenon. In Britain the new ideas were developed by party members and intellectuals, but soon after the Labour Party won the 1997 election, intellectuals started to be critical.

Why? Because governments, in order to govern, are supposed to deal with practical issues, and to make compromises in order to address them, while intellectuals do not need to compromise; because politicians' legitimate objective is getting and exerting political

power, while academics are concerned with the advancement of knowledge. And, third, because politicians are more pragmatic than average intellectuals are.

Thus, when a social democratic party gets to power, its fate will soon be to be accused of betraying the “left’s ideals,” or “socialist ideals.” Censure of this kind always existed. Before, the communists accused the social democrats of betrayal; now the old left and idealistic academics do the same in relation to the new left. There are, however, major differences between the two movements. Divergent views between the new and the old left are less pronounced than they were when the divide was between social democrats and communists. And, second, the new left is a more viable political alternative to the right than the old social democracy was.

There are, however, similarities between the new left and the new right. They may be attributable to the fact that both dispute the center. Besides, the precedence gained by markets over the state in resource allocation is a lasting one. The political pendulum may already have started to move in the direction of more equality and to some industrial policy, but it will not return to the state planning the whole economy. It will plan its own expenditures, and it will regulate markets, instead of being a substitute for markets. These facts make people say that the new left in government follows the lead of the new right. As a matter of fact, the new left learned with the new right, and now, in power, it is transforming what it learned into its own terms, while the pendulum again starts to move to the left. A similar phenomenon took place in the 1930s. Then the crisis was of the market. The lead was taken by the left, or by the progressives, like Keynes and Roosevelt. The right, in order to be able to win elections and recover power, was constrained to learn with the left, and adopted many of the policies the left parties originally implemented when in government.

Two factors limit the decision making of the new left when it becomes a viable power alternative. First, the new left is supposed to conquer the political center. It already counts upon its supporters in the left. Its problem is to take over the center from the right. To do that, it has to moderate its proposals, it has to have rather a discourse of consensus than a discourse of conflict. This always was true, but it is even truer in our times, when the middle class has become so large and pervasive.

Second, the new left is supposed to abide by economic constraints, There is an ingrained propensity among critics as well as patrons of the left in identifying it with state expenditure and budget deficits — an identification that has some historical support but makes little sense. Macroeconomic fundamentals are there to be respected. One may respect them in a dumb way, as if they were articles of faith, or in a smart and creative way. The really good economists and policymakers are the ones able to do the second thing, but this has nothing to do with left and right: there are competent and incompetent economists on the right and on the left.

Among the macroeconomic fundamentals, one with which the left is supposed to be especially careful is the security and profitability of investments. The veto power capitalists have on economic policies derives from the fact that they will invest or not depending on their confidence in the institutions and in the administration. Capitalists will only invest if they can expect reasonable and relatively secure rates of return on their investments. As the new left has learned well, there is no viable government if capitalists are not investing.

In the new perspective the individual has a major role. Equality is not any longer seen by the new left as equality of income and wealth, but as equality of opportunity.

Yet the equality of opportunity to which the new left refers should not be confused with the “American dream.” In this case, equality of opportunity is seen as intrinsic to American society, something that market forces and democracy, just corrected for racial discrimination, automatically provides. In new left terms, equality of opportunity is to be pursued by public policy in a deliberate form, in all areas of society. Equality of opportunity starts with offering effectively equal opportunities of access to education and health. It obviously involves the active elimination of all kinds of discrimination — gender, ethnic, racial, religious – but it is supposed to go further than that.

To be achieved, these values require adequate means. They require a strong civil society and a strong state, active and free markets, and good governments, i. e., governments that are able to take the right decisions at the right moment, and that are able to manage the state apparatuses in an efficient and effective way. Thus, when the new Left demands efforts towards deepening democracy and citizens' rights, in rebuilding state capacity, in freeing while regulating markets, and in creating an adequate technical and political environment for competent policymaking, it is being consistent with its major political objectives.

New left and globalization

Globalization is a central problem for the new left. A usual assertion of the new right is that globalization made social democracy a phenomenon of the past, because the social and economic policies it proposed rested on the capacity of sovereign states to limit the free movement of capitals. Since the state, according to this vision, lost capacity in relation to this, it follows that active macroeconomic policies and welfare policies, both intended to limit the scope of markets, have no role any longer in a contemporary world. And the new right concludes (in this case fully in agreement with the old left): if the new left acknowledges these new realities and dutifully adopts monetarist macroeconomic policies and opts for flexible markets, it ceases to be left; it is a watered down new right, disguised neo-liberalism.

To this allegation the new left has two answers. First, it strongly rejects the "new realities," the unfettered dominion of markets that globalization is said to have brought about. The new social democratic parties may have different views in relation to globalization, but they all accept Lionel Jospin's recent statement, that globalization does not make the state powerless: "We fully recognize globalization. But we don't see its manifestations as inevitable."² The state indeed has lost some macroeconomic autonomy due to globalization in exchange rate policy matters. Given that in the global economy capital flows are huge and fast, the exchange rate will either float, or will be firmly pegged to a strong currency, leaving national economic authorities with little room for active policymaking in this area. In other areas, however, national states conserve a substantial autonomy. The state has many and major roles to perform. If well-governed, state

institutions and policies may have a substantial positive impact on the economy and society.

Second, the new left rejects the proposed substitution of “flexible markets” – the euphemism for unfettered markets — for the welfare state. It is not opposed to markets, the spirit of enterprise, profits, and individual incentives. It is hostile to dogmatic pro-market views. It affirms the permanent possibility of regulating markets, including the labor market. It asserts that a well regulated market will, in the long run, produce a kind of social solidarity that more than compensates for some shirking on the part of workers. There is a trade-off here, but this trade-off proved, till now, favorable to the Continental model of social democracy, when compared with the more individualist Anglo-American liberalism.

The new social democratic parties do not fully agree about the social and economic consequences of globalization. On this subject, France and Germany are more critical, United States and Britain, less, if not supportive. Giddens, for instance, says that the new left “takes a positive attitude towards globalization, although not an uncritical one. Globalization is not the prime source of new inequalities.”³ Giddens’ last phrase is correct: the acceleration of technological progress, increasing the demand for skilled people and decreasing the demand for non-skilled labor, the rise in the number of single mothers, and the rise in the number of economically successful childless people are, as Giddens himself emphasizes, the prime causes. But if one understands globalization as the dominion of uncontrolled markets, there is little doubt that markets are usually prone to promote insecurity at all levels of society, and concentrate rather than redistribute income within each nation and among nations.

For the new right globalization is an opportunity; for the old left, a threat; for the new left, a challenge. The new right sees globalization as an opportunity for further international integration of the dominant elites in each country. For the new left the challenge involved in globalization is clear. It will not refuse competition, as the old left wants, but it will try to increase the national industries’ capacity to compete.

Globalization severely limits the autonomy of highly indebted countries. Capital flow volatility is a major concern for these countries, particularly when they insist upon accumulating trade and current account deficits to be financed by foreign savings. The best way to confront the globalization challenge is to reduce foreign indebtedness by

achieving substantial trade surpluses. But this will only be possible if developing countries are committed to increase state capacity, to achieve fiscal balance, to create stable institutions. The loss of state capacity that has taken place in the last twenty years is not, primarily, a consequence of globalization, but of the endogenous crisis of the state. Thus, it is not a permanent deprivation, as globalization apologists affirm, but a transitional one that will be overcome as the crisis of the state is overcome.

The social contract that emerged from World War II is not exhausted, contrary to what the new right insistently claims. It is being challenged by technological progress, by the crisis of the state, and by globalization. Now, the response to the challenge is change: social change, institutional change. Thus, labor contracts are being restructured and other institutions reformed. Given the overall high levels of productivity, coupled with a relatively even distribution of social goods, that the social democratic compact achieved in Europe, there is no reason for the advanced social democracies to acquiesce in the radical changes neo-liberals propose.

Neo-liberals are not any more able to sell their ideas in the advanced countries. But, with the support of local elites, they remain relatively dominant in the developing countries, particularly in Latin America. They have been successful in leading most countries to privatize and liberalize their economies to an extent developed countries did not follow. They are not being so successful in making labor contracts much more flexible, nor in dismantling the poorly established, already existing welfare systems. But they still represent a threat, which only a new left, emerging or about to emerge in these countries, will be able to neutralize.

Development reconsidered

The distinction between left and right, besides having a historical character, left and right changing over time, depends on the stage of economic growth of each country. There are substantial differences between what a new left may be in Latin America, when compared with the one existing in, for instance, Europe.

First, the left and the right, in order to conquer the political center, are usually supposed to be more nationalist than the advanced countries, since they have yet to build a nation and a state — a task that has already been achieved by the developed nations. How nationalist should the left be? The old left has a negative view of nationalism, assuming

that the country is surrounded by imperialist powers. It has a general attitude “against” advanced countries, viewed as “imperialist states,” and wants to dose the country to foreign influence rather than negotiate mutual and conflicting interests. The new left, on its part, rejects the view that the national interests of developed and developing countries are always contradictory, but does not believe – as the new right usually does - that they are always the same. Instead of a general attitude “against” or “in favor” of advanced countries, the national interest is to be assessed in each case.

Again, it will be easy for the old left out of power (and also for the intellectual left which is by definition out of power) to criticize – a critique that only can be made by those who do not hold office. If a political party with old nationalist ideas wins national elections, it will have to live with international capitalism; and it will soon realize that the existing constraints in running a developing country are greater than it could imagine. The constraints will be particularly strong if the country is highly indebted, but even for the developing countries that have comfortable international balances, the global economy’s constraints will always be there.

If the country is highly indebted, the confidence of international markets will be required. This is an objective constraint that governments in developing countries face. But it is a constraint that can be faced in three different ways. It can be faced as the right does: affirming that globalization has reduced substantially the autonomy of the national states, rejoicing in that, and happily engaging in the “confidence building game”. It can be approached like the old left, which ineffectually denounces the fact when it is out of government, or engages in populist politics when it transitorily achieves political power. And, third, globalization may be lived with, but not overestimated or accepted as the will of God.

For the new left in developing countries, globalization as a real phenomenon should be clearly distinguished from globalization as ideology – the ideology of definitive loss of state autonomy. The new left sees the loss of state autonomy as a transitory phenomenon. The fiscal crisis of the state, the crisis of strategies of state intervention, and the crisis of the bureaucratic form of managing the state, reduces state capacity. As soon as this crisis is overcome, state autonomy will be recaptured. When someone explains the loss of state autonomy in terms of globalization, he or she is suggesting a permanent change. Wherever the explanation is based on the idea of a crisis, the alleged constraints to state autonomy

are transitory. The state will always face constraints, as everything does, but not new or overwhelming constraints, as neo-liberals claim. This kind of interpretation supplies the left with a major assignment: to rebuild the state institutions, to overcome the state's crisis.

Acceptance of globalization as the unfettered dominance of markets leads the right, in the developing countries, to engage in the "confidence building game." By this I mean the uncritical adoption of the economic policies that officials in Washington (i.e., the G-7 governments), and in New York (the international financial markets) believe the country should adopt. It is a game that will most likely be headed for disaster, unless we assume that Washington and New York have a monopoly of universal economic policy wisdom... If they don't, if they often recommend mistaken policies, given, on one side, their interests and ideological constraints, and, on the other, their limited knowledge of local conditions, which are permanently changing, the only alternative for developing countries' governments will be to decide according to their own judgment.

Is it possible to achieve confidence in this way, not always accepting Washington's and New York's advice? The new right and the old left say "no," for different reasons: the new right, because it believes the elites in developed countries are almost always correct; the old left, because it believes that Washington and New York control the fate of developing countries. In fact, the new left argues, it is possible to achieve confidence without necessarily following the "Washington consensus" . It is not an easy task, as it is not simple to govern capitalism in a more competent way than capitalists do. But one should remember that elites - particularly politicians, officials, and financial agencies - in the advanced countries are rational and pragmatic people. They may offer some resistance to initiatives which do not meet with their initial approval, but eventually what is important to them are results.

A final difference. New social democratic parties in Europe are already looking for effective equality of opportunity at all levels, starting with the educational one. Equality is not achieved, but it is not a dream. In contrast, in Latin America economic inequality still looms large. Social democrats in the region are far from being able to speak in realistic terms about equality of opportunity.

Some distinctions

The policies that the new left is adopting go ahead with the necessary market-oriented reforms (for instance, trade liberalization, privatization of competitive industries, introduction of managerial public administration). The new left believes more in the market than the state as a coordinating agent of the economy, but it is not dogmatically pro-market as is the new right. And it still attributes to the state a major role. The state exists not to replace markets and entrepreneurs, but to regulate markets and protect property rights, maintain macroeconomic stability, create an appropriate climate for investment and growth, promote science and technology, foster national competitiveness, guarantee a minimum income, provide basic education, health and culture for all and protect the environmental and the cultural inheritance of the country. Yet, these roles will be differently performed in a developed as compared with a developing country.

In Latin America, and particularly in Brazil, it is possible to discern clear distinctions between the new and the old left, and between the new left and new right. I will ignore the old right, not because it has fully disappeared, but for the sake of simplicity. In synthesis, the old left in Brazil is corporatist and statist, while the new left is pro-market and is committed to reform and to rebuild the state. The new right is radically pro-market, and involved in the confidence building game.

I shall specify some of these differences in the form of questions: Who controls the new left political parties? Does the state have a central role or not? What is needed to reform the state apparatus? Which organizations are supposed to provide the social and scientific services financed by the state? How to reform social security? Which kind of macroeconomic policy is to be adopted?

The criteria and the differences are portrayed in Table 1 on page 368. I will not go over all of them. Some have already been referred to. To a certain extent they are self-explanatory. I will emphasize rather arbitrarily some that I have not yet discussed or that are worthy of some additional explanation.

Party control. It remains restricted to elites. The old left was never able to change this. Only recently there have been signals in this direction, as civil society assumes an increasing role. The Left just added to the existing elites – capitalist and bureaucratic elites – two kinds of bureaucratic elite: union's leaders in the private sector and in the civil service, and apparatchiks in the political parties. In Brazil the old left parties remain in

control of sizable sectors of the state bureaucracy, of the new professional middle class, and of union leaders. The new left parties are mostly supported by the new professional middle class, associated with progressive capitalists — a concept that is quite elastic. The new right parties are supported mainly by big business. All, obviously, strive to involve the workers and the poor.

State reform. The old left is not interested in reforming the state. It would like to have it large and bureaucratic. The new right understands reform as liberalization and privatization, or just as downsizing. For the new left to reform the state means to rebuild it, to increase state capacity, to recover public savings as a means of overcoming its financial crisis, and to promote managerial reform. It means also to redefine the role of the state, giving to organizations of civil society a larger role, be it in the production of social and scientific services, or in exerting social control.

Table 1 Old and New Left and New Right in Developing Countries

<i>Criteria</i>	<i>Old left</i>	<i>New left</i>	<i>New right</i>
Party control	Bureaucrats	New middle class	Business elites
Role of the state	Central	Complementary	Secondary
State reform	Remain bureaucratic and large	Change to managerial	Downsize
Execution of basic social services	Directly by the state	By public non-state organizations	By private business firms
Financing of basic social services	By the state	By the state	Private
Social security (basic and complementary)	State assured	State assured basic social security	Privately assured
Macroeconomic policy	Populist	Neo Keynesian	Neoclassical
Globalization	Threat	Challenge	Benefit

Managerial reform means devolving authority to decentralized units to be directed by a new kind of official: people with managerial skills. It means controlling decentralized units through agreed outcomes rather than through detailed procedures. But the new left is

not just concerned with reforming institutions, it is convinced that improvement of day-to-day public services is vital. Tony Blair, for instance, often says that the emphasis of his administration is on delivering real progress in public services.

Managerial reform is only possible in democratic regimes when civil society plays a double role. It supplies social services on a competitive basis, and it exerts social control. The state should transfer to the public non-state sector (or non-profit sector) a good deal of responsibility for the provision of services, such as those involving many schools, hospitals, or research institutes, but keep its social democratic role as main provider of funds for these activities. The assumption is that, being competitive, such agencies will be more efficient than state agencies, and being public (oriented to public ends) they will be more reliable than private enterprises in providing services in which information is limited, and trust is important, given the core human values involved. Basic education, health, and a minimum income should remain financed by the state, since they presuppose or express universal citizenship rights. In other words, if managerial reform means decentralization and devolution, it means also control of outcomes by officials and politicians in the strategic core of the state, and social control by civil society.

Third, state reform means strengthening democratic institutions. Efforts should not be limited to representative democracy, but include direct forms of democracy, particularly the ones that involve social control by NGOs and other forms of active social capital. In this regard, committees and associations formed with the aim of providing social services in the areas of education, health, crime protection, public transportation and poverty alleviation are particularly important.

Fourth, state reform means creating institutions able to protect what might be called “republican rights,” i.e., the right every citizen has that public resources, be they the historical-cultural, environmental, or economic, be used for public ends. For a long time we have been defending civil rights against a powerful state; more recently it became important to defend the state against powerful citizens. Since state revenues became high as a proportion of GDP in all countries, rent-seeking, the capture of the state for private objectives, became increasingly dangerous, and the need to protect republican rights pressing.

Social security. Here the distinction between the old left, which wants pensions state-guaranteed, and the new right, which favors privatization, is simple. More complex is the

new left view, which favors state guarantees for a basic income in old age, while the complementary pension system would be private. The left, old and new, wants the basic pension system financed according to a cash system, while the right, repeating wise economists' counseling, favors a complete capitalization system, Chilean style. Finally the old left, given its corporatism, defends the special (and privileged) pension system for civil servants, while the new left and the new right aim at making it more similar to the pension system of private workers. A significant point is the fact that the only countries that have fully adopted the right's prescription are developing countries: Chile and Bolivia. The developed countries have not adopted these prescriptions, and almost certainly will not do so in the future. First, because they know that, in the end, the state should guarantee a basic pension system. Second, because, when the state is involved, it makes little sense to develop capitalization systems, since the state is not a competent agent in managing the financial assets backing pension funds.

This "anomaly" however, is not at all restricted to social security systems. In some Southern countries, privatization or trade liberalization went much farther than in the North. I already referred to the confidence building game. It is consistent with an old saying: subjects are often more royalist than the king.

Economic policy. The old left imagines itself to be Keynesian, but actually it is populist and interventionist. Often in the past it got involved in the "populist cycle," that starts with the over-evaluation of the currency, leading to higher inflation and higher salaries, and eventually ending in a balance of payment crisis and devaluation. The new right hopes to be modern, but in fact is laissez-faire and engaged in the confidence building game, which also easily leads to balance of payment crises. The new left is supposed to think independently, but is not always successful. It is essentially Keynesian when macroeconomic policy is in hand, but it is ready to use mainstream microeconomic tools to understand how a market economy works or should work. It assumes that markets are imperfect, that asymmetry of information is pervasive, that negative and positive externalities are everywhere, but still believes that the market is a more efficient resource-allocating mechanism than the state. Only in limited cases is the state supposed to intervene in resource allocation. But it believes that markets are ineffective in distributing income. Thus, in this area, and in science and technology, it reserves a major role for the state. It does not believe, as the old left does, that increasing taxes is always a good solution, but rejects the tax reduction or tax flattening that the dogmatic right proposes.

The new right proposes tax cuts, but, when in power in Latin America, it will not reduce taxes. In the North there is a lot of fuss about reducing taxes, but, with a few exceptions, the right is not able to put into practice what it preaches. Eventually taxes are maintained at existing levels. What does happen, when tax reform is achieved by the new right, is that taxes turn less and less progressive, a greater emphasis being put on indirect taxes. This happened in the developed countries, but soon found a limit and taxes remain progressive. In some developing countries, although direct taxes are dismally small and inheritance taxes absent, tax reforms tend often to follow the neo-liberal model. Again, subjects are more royalist than the king.

Can the new left make a difference?

I hope the distinctions are clear. Old Left intellectuals remain uncomfortable with new left policies, given the fact that the new left ideas are connected with real government. Moreover, governments will never fit the model as outlined here. They will follow these prescriptions only in broad terms. In practice they will make mistakes and compromises, or their policies will be the outcome of political coalitions. My discussion concentrates not on actual governments but on political ideas. There are major questions I have not discussed. Is a new left government more prone to be a good government? Can it make a difference? Some are pessimistic about the capabilities of governments in both of these respects. I think they are wrong. If properly applied, the ideas of the new left can both renew state power and help use it to achieve core social and economic goals.

Notes

1 John Gray, "The Undoing of Conservatism" in John Gray and David Willetts, *Is Conservatism Dead?* (London: Profile Books), p. 3.

² Quoted in Bresser-Pereira, "Modern Socialism" in *Lionel Jospin* (London: Fabian Society, 1999), p. 9.

³ Anthony Giddens, "Why the Old Left is Wrong on Equality", *New Statesman*, 25 October 1999, pp. 25-7 (p. 27).