1 Reinventing the Left

Neoliberalism, the doctrine that assumed hegemonic status about 1980, made a bold promise. Liberalizing markets, by unleashing the wealth-enhancing forces of competition and risk-taking entrepreneurship, would produce greater prosperity and well-being for more people than any alternative. But this promise appears today as a chimera to the populations of Western countries who are still struggling to escape the aftershocks of the 2008–9 global crisis, a crisis rooted in the deregulation and liberalization extolled by neoliberals. The situation in the Global South appears to support a more favorable judgment of neoliberal development doctrine. In the countries of greatest neoliberal influence – in Latin America and sub-Saharan Africa – the neoliberal promise was not kept in the 1980s and 1990s. Yet, following 2002, these countries experienced high growth. Poor people consequently constitute a shrinking share of the populations of many countries while the middle class has expanded. This growth, instigated mainly by a commodity boom and inexpensive credit following the crisis-ridden 1990s, was interrupted by the world economic crisis that affected the Global South in 2009–10. The extent to which the earlier neoliberal reforms belatedly spurred the growth surge is debatable.[1] What is clear, however, is the high and continuing costs to society and nature of neoliberal development trajectories.

These costs, gleaned from critiques of the mainstream approach, would include some or all of the following. Privatization, cuts in the civil service, and trade and capital-account liberalization have often led to the loss of jobs in the formal sector since the 1980s, while precarious employment in the informal sector has expanded. Credible threats by large-scale global corporations to relocate production in lower-cost jurisdictions have driven down wages throughout the world. Globalization has thus generated millions of poor-quality jobs. Market crashes and harsh competition for the available jobs and economic opportunities have fostered widespread economic insecurity. Periodic financial crises in many countries have reduced even middle-class families to at least temporary poverty. The reduction or elimination of agricultural subsidies and tariffs to

protect small farmers has driven many into bankruptcy. The privatization of land formerly governed by indigenous or collectivist land tenure rules has favored wealthy corporations and entrepreneurs seeking land for industrial activities or large-scale agricultural exports. Resurgent commodity speculation periodically drives the prices of basic foodstuffs dramatically higher, undermining food security for the poor in developing countries. User charges for educational and health services and/or the deteriorating quality of public services, together with the rising cost of private provision, confront even middle-class families with unpalatable choices. High and often growing economic inequality means that the gains from growth have been disproportionately appropriated by the wealthy, even while their evasion of income taxes has typically starved the public sector of resources. Inequality has also permitted the wealthy few to gain disproportionate political influence, vitiating democracy. Barely regulated industrial development, forestry, fisheries and export agriculture have despoiled the land, water and air. Growing carbon emissions from unregulated production and consumption propel climate change, evident especially in more frequent droughts and flooding, rising global ocean levels and shortages of fresh water. Individualism, especially the quest for personal material advancement, has weakened the bonds of community reciprocity, while social dislocation, unemployment and the juxtaposition of wealth and poverty have stimulated high rates of urban crime. These trends most adversely affect the poor and near-poor; they are forced off their land, housed in squalid, overcrowded and ill-serviced urban settlements, and exploited by employers or the conditions of self-employment in the informal sector. Many people live insecure lives plagued by uncertainty, despite economic growth since 2002.

Neoliberal doctrine, needless to say, has not remained static in the face of such trends. The lackluster socioeconomic record of neoliberal policies in the early decades, together with the East Asian financial collapse of 1997–8 and the 2008–9 global financial debacle, demanded policy reformulation. In addition, China's rapid and sustained growth has demonstrated anew the central role of the state in economic development, an unpalatable view for neoliberal hard-liners. And China, by offering commodity-exporting countries an alternative source of finance, aid, investment and trade to the West and the international financial institutions, has augmented the policy autonomy of many governments in the developing world. These governments, especially in Latin America, have used their enhanced autonomy to adopt heterodox policies. In response, the World Bank and other purveyors of the dominant model have shifted since the late 1990s from a market-fundamentalist "Washington Consensus" to an increasingly variegated and more centrist

"Post-Washington Consensus." These modifications have narrowed the rhetorical gap between the neoliberals and their critics on the Left.

If this sketch of the current conjuncture is largely accurate, it raises an important question: What has the Left in the Global South to offer in the way of desirable and realistic alternatives to even the refurbished Post-Washington Consensus? Granted, the Left's historical record is not encouraging. Economic failure and political oppressiveness discredited socialism in the 1970s and 1980s, especially its centrally planned versions. Nearly all of the communist and socialist governments collapsed. Social democracies in the Global South as well as the North also ran into economic difficulties in the 1980s and 1990s, though many soon recovered. Other regimes resembling social democracies dissolved into unsustainable populisms. In these circumstances, liberal-democratic capitalism came to be celebrated in the early 1990s as the acme of institutional development, an "end of history" (Fukuyama 1992). Soon after its triumph, however, this order too began to unravel. Now, when the failings of the neoliberal world order have starkly crystallized in the form of a West-based financial crisis with long-lasting effects, the moment is opportune to revisit the possibilities offered by the Left.

An overview of the argument

Can one identify a "new," democratic Left in the Global South today? A rejuvenated Left would include parties and social movements not only avoiding the familiar pitfalls that ensnared the Left in the twentieth century, but also coping with the realities of the twenty-first century. Foremost among these realities is neoliberal globalization. To meet the challenges and make progress in attaining greater equality, solidarity and democracy is a tall order. In the real world, progressive movements remain imperfect. Nonetheless, despite their inevitable imperfections, enough has been achieved to warrant an in-depth examination.

A dispassionate analysis of the democratic Left in the developing world may interest not only students of international development and the global Left, but also those in the Global North disheartened by progressive politics in their own countries. The democratic Left in the West is in disarray. Even in the context of the worst capitalist crisis since the Great Depression, the Left has been unable to seize the initiative in pressing for a new policy/political paradigm. Instead, many leftist parties in 2008–9 jumped on the stimulus bandwagon, and later vacillated on the necessity for austerity programs.

Socialist and progressive movements in general have made bold pronouncements during election campaigns, but, when elected, they have

governed in a manner similar to the center-Right. In the European Union, the European Commission, the European Central Bank, the IMF, the credit-rating agencies and financial markets have shaped the economic and social policies of all governments regardless of ideological hue. The small Nordic social democracies have had the most success in negotiating the shoals of globalization without succumbing to high unemployment, crushing public debt and high inequality. Yet social-democratic parties everywhere have failed to forestall the rise of the far Right by channeling the resentments and fears of dislocated workers and the middle class. In Greece and Hungary, but also in France and the United Kingdom, the far Right has emerged to express the anger and insecurity of electorates resulting from austerity and high unemployment. In the United States, President Barack Obama, unconvincingly cast as a socialist and liberal by the American Right, was unable to rally support within Congress (or even his own party) for many of his modestly progressive policies. A major crisis of capitalism did not give rise to a coherent leftist alternative.

Meanwhile, the most publicized progressive protest movement – the Occupy movement – produced no coherent ideology or organization. Beginning with the Occupy Wall Street protest in September 2011, the youth-based movement sparked emulation throughout the world. Protests initially articulated the view that a small and wealthy coterie of corporate leaders and financiers controlled the capitalist system, for the benefit of a small minority (the "1 percent") and at the expense of the majority and meaningful democracy. But the lack of leadership and organizational framework led to a proliferation of grievances and demands. This incoherence undermined the movement's effectiveness. Although the Occupy movement did raise awareness of inequality and its detrimental consequences, it produced no alternative program for realizing its egalitarian and democratic goals.

Thus it is mainly in the Global South, most notably in Latin America, that one finds a newly self-confident Left with consistent strategies for dealing with recalcitrant global realities.[2] *The moral and intellectual leadership of the Left seems to have shifted south from its European birthplace*. If this is so, we in the North may have much to learn from the experience of leftist-governed middle-income developing countries.

What then is distinctive about the democratic Left in the Global South? Although this question animates Chapter 2, some foreshadowing is needed. The driving force of progressive movements remains the belief that capitalism perpetuates injustice and dislocations that must be rectified. Rectifying the ills of capitalism involves both an end – primarily the building of equal freedom – and the primacy of solidarity and participatory politics in attaining this goal. Equal freedom, in brief, entails a society in

which all citizens are accorded an equal opportunity to experience freedom. People should be able to live long and worthwhile lives of their own choosing, rather than have their fates determined by circumstances of birth, family standing or initial market position. "Social" liberals state their goal in similar or the same terms: both social liberals and progressives focus on the development of individual capabilities. But the Left, unlike even the social liberal, focuses on the importance of cooperative means in achieving the *equal* development of human potential – a society where "the freedom of each is the condition for the freedom of all," to quote a famous line. Not individual competition and liberal-democratic politics but cross-class solidarity, the collective organization of excluded or marginalized groups and participatory political action are the means needed to attain this radical goal. Decisive state action, propelled by a popular movement, is crucial, from a progressive viewpoint, because equal freedom will remain meaningless in societies where vast inequalities in access to resources persist. The required measures involve the redistribution of all or most of the following: good-quality educational and health services, social protection in the form (eventually) of universal programs, income through progressive tax policies and generous minimum wages, the creation of good jobs and cash transfers, political power in the shape of decentralized or participatory democracy, decision-making power in economic entities, and assets where wealth is highly concentrated. Solidarity – manifest in autonomous interest-based organizations and collective action – and participatory democracy are not only the means by which the lower classes and strata overcome domination, but also a way of experiencing freedom. The focus on collective political action to achieve redistributive goals distinguishes the Left from social liberalism and other ideological tendencies.

The degree of change that is needed or possible, however, is a matter of dispute on the Left; today as in the past, we can distinguish three positions. One set of movements contends that capitalism, in wreaking social and ecological damage, is irredeemable. Therefore, it will be necessary eventually to transcend capitalism to deal with its defects. This socialist approach involves confronting inherited power structures, the intergenerational transmission of privilege and existing property rights. A second group, which is of more recent origin, holds either that a movement to displace capitalism is futile or that the real problem lies with neoliberalism. In either case, the immediate goal is to replace neoliberalism with a more equitable and sustainable *variety* of capitalism – involving at a minimum the movement toward a universalistic social-democratic welfare state and a more inclusive politics – with more fundamental change relegated to a more propitious future. A third current, while

acknowledging that certain neoliberal policies have had unfortunate results, retains faith in the ethical as well as practical superiority of the liberal-market economy. Hence, its proponents call, in effect, for humanizing neoliberalism, primarily by combining open markets with liberal democracy and an expansion of targeted safety nets and public services, so that markets benefit the poor and near-poor as well as the better-off. This is the position of the reform-oriented social liberals who have propounded, since the early 1990s, a "Third Way" between market fundamentalism and statist versions of social democracy. Each of these approaches pursues change at a different level.

Should we consider all three as variants of the "Left"? Any decision about where to draw the line is somewhat arbitrary because what is considered Left varies from culture to culture and over time. In the United States "liberals" (social liberals in my terminology) are widely regarded as progressives (and even "socialists," a term used by the far Right to heap opprobrium on their opponents). But I propose that social liberalism is more accurately conceived as a centrist doctrine. It is certainly to the left of classical liberalism insofar as the latter focuses on "negative" freedom – removing state constraints on individual action – rather than the "positive" freedom of the social liberal, who is intent on building individual capabilities to enjoy freedom. But social liberalism is not *of* the Left.[3] For one thing, leaders of this persuasion are ambivalent about inequality; they are keen to outlaw discriminatory practices, make tax systems progressive and direct more resources to public education and health services. But they do not want to interfere unduly with markets in the allocation of rewards, owing partly to reverence for the market, and partly to the view that inequality is necessary to reward individual entrepreneurship, skill and diligence. Some social liberals talk about "good" inequality and "bad" inequality, but it is unclear where one ends and the other begins.[4] They feel more comfortable addressing poverty reduction, which involves raising the poor above a certain income threshold, than inequality, which raises thorny issues of class relations and zero-sum struggles. They propose palliative (and often technocratic) means to achieve poverty reduction: accelerated growth, better services, improved institutions and targeted safety nets. They talk about social *needs* rather than social *rights*.

In light of these distinctions I make three related arguments in this book. First, I contend that the Left offers an alternative vision of development in the Global South, distinct from the inclusive growth or social liberalism of the Post-Washington Consensus with which it is sometimes confused (Chapter 2). Second, I substantiate the critique of neoliberalism sketched in the first two paragraphs of this chapter. I contend that

neoliberal development doctrine, even in its more sophisticated recent versions, has failed as a policy guide to a socially and ecologically sustainable future (Chapter 3). If one accepts this view, the need for an alternative development vision is apparent.

The first two themes create a foundation for posing the central issue of strategy. In reality, the Left in the developing world pursues complex and diverse strategies. This diversity is fortunate because it allows the observer to learn what progressive models have succeeded or faltered, as well as what strategies might possibly work. Yet, to achieve a broad understanding, the social scientist necessarily reduces the complexity by creating a manageable set of categories. In devising Weberian ideal types, I have been aware of the inescapable dilemma that our concepts to some extent construct the world in the process of observing it. This dilemma is particularly acute when the field of study is as controversial as the new Left. What follows is thus one scholar's attempt, on the basis of forty-five years of study, to distil the essence of the democratic Left across the vast reaches of the Global South. My ambition is to help nudge the debate about the Left out of the well-worn grooves into which it has fallen in recent decades.

I maintain that three innovative and democratic approaches for attaining the leftist vision, partially avoiding earlier pitfalls, have emerged in the Global South (chapters 5–7). Escaping the earlier pitfalls, I suggest in Chapter 4, entails the Left's adherence to two assumptions: that progressive strategies must be democratic in means as well as an end; and that central planning, even if it could be done in a participatory manner, is unlikely to work, thus affirming the indispensability of markets in complex economies. I refer to the three models congruent with these assumptions as moderate social democracy, a radical social-democratic strategy for attaining socialism, and Left populism. I elaborate these strategies below.

Whether the Left emerges as a significant contender for national power and, if so, which of the three strategies comes to the fore, depends, as we shall see, on several factors. Historical experiences, both national and regional, are obviously important. Critical also are the global and national opportunity structures that constrain or embolden political actors, I consider these factors in Chapter 4.

Although I concentrate on progressive experiments at the national level, I do not ignore alternatives at the global and local levels. I emphasize the national arena because it remains the most inclusive level at which solidarity can most readily be mobilized behind a vision of equal freedom, solidarity and democracy. Cosmopolitanism, the sense of obligation one feels for people beyond one's national borders, remains rudimentary. However, at the national level, the global neoliberal order constrains the

Left by restricting the autonomy of national policy making and by locking in various neoliberal arrangements through multilateral and bilateral treaties and agreements. A realistic progressive national strategy must thus include (in addition to some protectionist measures) a complementary regional or global component – to change the global order or construct regional buffers and alliances. Also, many significant experiments in equitable cooperation have developed at the local level. Nevertheless, I suggest, few of these local experiments can survive without a sympathetic regional or national government. I consider alternatives at the global and local levels in Chapter 7.

To understand the quandaries facing progressive political organizations and the trajectories they trace, I employ a version of Karl Polanyi's model of the "double movement" as developed in his analysis of the first great transformation (approximately 1830–1940). Polanyi's model, I contend, cogently identifies the systemic roots of the acute dilemmas that confront the Left – whatever path it chooses to follow.

The Left and the double movement

An inherent conflict at the heart of capitalism – a double movement – presents progressive forces with difficult choices.[5] On the one hand, a liberal "movement," inspired by the ideal of the productive and liberating self-regulating market, seeks to achieve this end by "disembedding" the economy from restrictive social norms and regulations. Yet this movement is doomed to failure because the liberal project is "utopian," in the sense of impossible, owing to the devastation unleashed by any attempt to realize it. On the other hand, this social and environmental devastation inevitably arouses a disparate "counter-movement" of societal protection to mitigate the damage – by re-instituting institutional and normative checks on market forces or abolishing (some) markets altogether. But, Polanyi contends, the counter-movement, in seeking to protect society by "re-embedding" economy in society, unavoidably interferes with the logic of the market system. By undermining the conditions for efficient, productive and interconnected markets, the counter-movement unintentionally instigates an economic crisis that, in countries with weak political institutions, leads to an associated political crisis. Whatever solution the Left chooses to deal with this dilemma stakes out a route strewn with deadly pitfalls.

Before investigating these routes, we need to understand more precisely what is at stake in the double movement. Polanyi employs this concept in analyzing the conflicting forces that, in his view, led to the disastrous denouement of the first great transformation – the Great Depression,

the rise of fascism and World War II. In the earlier non-capitalist systems, economy had been submerged in spiritual, political or social obligations and regulations; the latter provided some shelter for families and other social institutions. But the disembedding of the economy inherent in creating a self-regulating market courts danger by stripping away these social constraints. The liberal/neoliberal movement, in pursuit of its ideal, not only separates economy from society with the rise of markets, but also subordinates society and nature to economic imperatives, principally efficiency, commodification and profitability. The result of the process is to expose human beings and their habitat to the mercenary calculations of opportunistic actors.

Capitalism brings about a reversal of the earlier society–economy relationship because markets, according to Polanyi, must form an interlocking system to work efficiently, with prices determined solely by market conditions (Polanyi 1957: 249). Changes in market-determined prices then spur the necessary adjustments in the self-regulating system. What this means is that the markets for what Polanyi terms "fictitious commodities" – labor, land and money (to which we might add knowledge [see Jessop 2007]) – need to be as flexible as markets for commodities such as consumer goods, foodstuffs, stocks in public companies and capital equipment. But land, labor and money are not commodities like the others, Polanyi counters, and to treat them as if they were leads to disaster. In this sense, the self-regulating market, the ideal inspiring the Washington Consensus and even the Post-Washington Consensus, is utopian or unrealizable. "Such an [institutional arrangement] could not exist for any length of time without annihilating the human and natural substance of society, it would have physically destroyed man and transformed his surroundings into a wilderness" (Polanyi 2001 [1944]: 3).[6]

Although the disembedding of economy from society is central to the double movement, the key concept is not clearly defined in *The Great Transformation* (2001 [2004]) or elsewhere, and is often misunderstood. Some economic sociologists have objected that Polanyi overstates his case because markets are always and necessarily embedded in an institutional framework (Block 2003; Polanyi Symposium 2004). This proposition is clearly correct; markets cannot function without supportive institutions to protect property and enforce contracts, resolve conflicts and safeguard social order, manage a "sound" currency, arrange infrastructure and services, and oversee the rules of market competition. But accepting this view does not undercut Polanyi's conceptual distinction. Polanyi himself emphasizes that (paradoxically) "laissez-faire was planned" – that markets, far from being a spontaneous and natural development, were "instituted" through the power of the state (Polanyi 1957: 243–70). What

disembedding the economy fundamentally implies is the subjection of society to the imperatives of the market, that is, the creation of a "market society." Hence, *formal or informal institutions that build a fully commodified market order are part of the liberal-market movement*. As the next chapter shows, structural adjustment in Africa and Latin America since 1980 has had just that goal; it has involved a state-directed effort to institute free markets through liberalization, commodification and the building of conducive political, judicial and administrative institutions.

The counter-movement also seeks institutional and normative change, but change that expresses a contrary logic to that of the liberal movement. The counter-movement, which can emerge at the local, national or global levels, reacts to the growing insecurity and dislocation by seeking to re-embed markets in society. A disparate set of social groups respond by way of social movements, civic associations, religious communities, lobbyists, protests, occupations, rebellions, coups d'état, revolutions, strikes and/or political parties, to forge regulations, legislation and social orders reflecting a protective logic of redistribution, welfare, cultural and religious revival and, above all, decommodification of the fictitious commodities.[7] Chapter 2 focuses on this side of the double movement too, emphasizing the distinctiveness of the Left's response even as the neoliberal movement – remaking itself as Post-Washington Consensus – co-opted popular concepts associated with the Left's critique.

The key issue, from the viewpoint of the Left's strategy, is whether Polanyi in the double movement identifies an ineluctable and ultimately irreconcilable contradiction in capitalism or only an inherent but potentially manageable tension. If the former, the only way out of the impasse between the movement and the counter-movement is a socialist transformation. Indeed, for Polanyi in *The Great Transformation* (2001 [1944]), the only meaningful stance of the Left was to displace market society with socialism, understood as a form of democratic and decentralized planning. "Socialism," he concisely observes in his magnum opus, "is essentially the tendency inherent in an industrial civilization to transcend the self-regulating market by consciously subordinating it to a democratic society" (Polanyi 2001 [1944]: 242). This "hard" position is probably the most accurate reflection of Polanyi's lifelong commitments and the logic of his theory (Lacher 1999; Adaman, Devine and Ozkaynak 2003; Mendell 2007).

Later in Polanyi's life, however, a "soft," or reformist position sometimes vied with this "hard" view.[8] If the double movement constitutes only an inherent tension in capitalism, we might expect that governments of the Left could successfully manage this conflict for a considerable time. That is, social-democratic governments, regardless of whether