

## **Globalisation and the State: What lessons does the Latin American 'new left' have to offer?**

*Editor's note:*

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**Institute for the Study of the Americas**

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What lessons does the Latin American ‘new left’ have to offer?**

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**Introduction**

Let me begin with something of my personal experience from which I think we can all draw a salutary lesson. As someone who has been writing critically about the so-called Irish model, what has for short been labeled the Celtic Tiger, I have found myself invited to lecture on it in many parts of the world, including Latin America. Around a year ago, I was in Uruguay and Argentina and, six weeks later, in Costa Rica talking to senior policy makers and policy advisors and, in the case of Costa Rica, to President Oscar Arias and his Minister for Labour, as well as to the opposition coalition that had formed to campaign for a No vote in the referendum on CAFTA. In all these situations I was disconcerted to find activists and supporters of the ‘new left’ looking to Ireland as a model to be emulated in which the state played a major role in both economic transformation and in social provision. Some were taken aback by my strong critiques of the Irish model while others were relieved, finding ammunition to oppose those promoting Ireland as an exemplar of success in this globalised world. But the reason I begin with this experience relates to the fact that while in Latin America I was finding Ireland being presented as offering answers to the challenges facing the left based on a most superficial knowledge of the Irish case, in Ireland one finds the emergence of the new left in Latin America being promoted in some quarters as offering a way forward, based on an equally superficial knowledge. The salutary lesson I want to draw, therefore, can be summed up in the saying – we have it in Irish but it also exists in English – *is glas iad na cnoic i bhfad uainn* (the faraway hills are green).

As someone who has spent a lot of my professional life working on both the Irish and Latin American cases from an international political economy perspective and methodology, my intention is not to undermine the value of comparative work of this kind. Rather it is to challenge what seems a relatively widespread tendency in political circles to believe that models exist elsewhere offering answers to the developmental challenges of one’s own situation. This is not my position as I believe politics is a process that takes place within national confines profoundly shaped by history, culture, social forces and, of course, the political organisations and movements that ebb and flow within these confines. All are marked by a large measure of path dependency the lingering influences of which we can often underestimate. Yet, having said all this, clearly ideas derived from experiences in other contexts are influential and can offer valuable insights from which we can learn. What they do not offer are clear answers to our dilemmas since such ideas and insights have then to be applied amid the specificities and constraints of each particular case. Would that there was some awareness of these basic points among World Bank and IMF bureaucrats to temper their zeal in imposing policy prescriptions on governments in Latin America, Africa and elsewhere!

Aware of these points, I set myself the task here to examine whether the wave of ‘new left’ governments in Latin America<sup>1</sup> over the past decade offers us any lessons about the impact the multifaceted processes we label globalisation<sup>2</sup> are having on the state<sup>3</sup>, and if so what these lessons might be. My premise for this is that Latin America over this period offers a particularly interesting test of the much vaunted claim that globalisation is restricting the room for manoeuvre open to states as it is the one region of the world in which governments have come to power which are rhetorically very critical of neoliberalism (and in some cases of globalisation) and proclaim themselves committed to moving into a post-neoliberal paradigm or model of development. I begin by examining how states are being reconfigured by globalisation with particular attention to a number of Latin American cases. The following section highlights the fact that state reform has loomed large in Latin America over the past two decades and it surveys the emergence of a new literature critical of the content of what until recently was the dominant reform agenda, drawing some tentative conclusions from this emerging literature. The third section moves into the practical politics of today’s ‘new left’, examining how in practice the state is being reconfigured and resituated as part of the project of reform, with particular attention to some of the common features that can be discerned across the very different cases that constitute this group of governments. The final section draws conclusions about lessons that Latin America may have to offer.

### **What is happening to the state?**

While there has been a very active debate across the social sciences about the impact of globalisation on the state, and claims made about how it is sidelining or hollowing out state power, I hold with Bisley’s conclusion that there is little empirical evidence to support these claims and that policy makers throughout the world do not feel their work is pointless. As he puts it: ‘The state is very much alive’ (Bisley, 2007: 66).

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<sup>1</sup> The term ‘new left’ governments refers to the wave of left-wing parties and leaders that have been elected to government in most South American countries since the election of Hugo Chavez in Venezuela in 1998. They are taken to comprise the Lula governments in Brazil since 2003, the Kirchner governments in Argentina since 2003, the Frente Amplio government in Uruguay since 2004, the Morales government in Bolivia since 2005, the Bachelet government in Chile, the Ortega government in Nicaragua and the Correa government in Ecuador since 2006, and the Lugo government in Paraguay since 2008. The success of Lopez Obrador in Mexico and of Solis in Costa Rica in presidential elections in those countries in 2006 also warrants their inclusion in the wider phenomenon of the emergence of the ‘new left’ though they did not win the presidency. The term ‘new left’ is placed in inverted commas since its nature continues to be debated (see Panizza, 2005; Castañeda, 2006, Adamovsky, 2007, and Lievesley and Ludlam, 2008).

<sup>2</sup> The term globalisation raises complex analytical and definitional issues that are beyond the scope of this paper. It is used here as a label for intensifying processes of transnational interconnectedness across a range of spheres such as the economic, the social, the political, the cultural and the communicational, though the uneven nature of these processes is acknowledged. Neither does its use imply that globalisation itself has agency; rather, it acts as a shorthand for processes of change where agency can only be determined through empirical examination. For a fuller discussion, see Kirby, 2006, Chapter 4.

<sup>3</sup> There are two distinct emphases in the way in which the term ‘state’ is discussed in this paper. The first relates to the state as, in Sørensen’s definition, ‘a centralized system of democratic rule, based on a set of administrative, policing and military organizations, sanctioned by a legal order, claiming a monopoly of the legitimate use of force, all within a defined territory’ (Sørensen, 2004: 14), though it is not necessary that it be democratic. However, much of the discussion in this paper focuses on forms of state, namely particular features of this centralized system of rule, which can be defined as ‘the national specific form of capital accumulation and its corresponding political regime’ (Soederberg, 2005: 170); by the latter is meant the specific institutional features that the state develops to service its regime of capital accumulation.

Taking this into account, the debate has become more one of examining not the supposed demise of the state but how it is changing under the pressures, opportunities and constraints of globalisation. As Sørensen summarised it, ‘instead of getting locked into the “state losing” or “state winning” contest, there is a more attractive position: namely, the idea of “state transformation” which is open to changes in both directions’ (Sørensen, 2004: 22). While various theoretical approaches can be used to analyse these changes, I find the debate on the competition state within international political economy useful as a heuristic device to identify the central logic of the changes to state power that are taking place without predetermining their empirical character as constituted through the particular economic structures, social forces, political systems and cultures, and organised political groupings and struggles of particular polities. This, then, is the approach I use here to capture what has been happening to the state under the pressures that we label globalisation.

If the developmental state concept emerged in the 1980s from analysing the ways in which certain developing states (in East Asia and in Latin America) succeeded in building a modern and competitive industrial economy, the competition state concept emerged in the late 1990s from analysing the ways in which developed industrial states were restructuring themselves in response to the constraints and opportunities opened up by neoliberal globalisation. A central cause of these pressures has been the impact of new information and communications technologies (ICTs) which have made possible both the more intense and immediate global interconnectedness that drives finance, production and trade and also new forms of corporate organisation that have come to dominate more and more key production chains worldwide, thereby strengthening the power of global market forces as against that of national state authorities. As Ruggie has recognised, the globalisation of financial markets and production chains challenged the premises on which the grand bargain between capital and labour rested since that bargain presupposed a world in which the state could effectively mediate external impacts through such tools as tariffs and exchange rates (Ruggie, 2003: 94). Various attempts have been made to characterise the new state forms emerging in this situation, mostly focused on the weakening of the welfare state as the dominant state form in the developed world. For example, Jessop sees this ‘new state form’ as a Schumpeterian workfare state (SWS) which seeks ‘to strengthen as far as possible the structural competitiveness of the national economy by intervening on the supply-side; and to subordinate social policy to the needs of labour market flexibility and/or to the constraints of international competition’ (Jessop, 1994: 24). However, Cerny’s development of the concept of the ‘competition state’ has been more widely adopted and applied to a wider range of states, including some in Latin America.

He describes its emergence out of the tensions between the demands of economic globalisation and the embedded state/society practices that characterised the national welfare state as the priorities of policy move away from the general maximisation of public welfare (full employment, redistributive transfer payments and social service provision) to the promotion of enterprise, innovation and profitability in both private and public sectors. These reactions, however, follow no set pattern or master plan: ‘The emerging embedded neoliberal consensus is therefore not simply developing “from outside” or “from above”; it is also a political construction promoted by political entrepreneurs who must design projects, convince others, build coalitions and ultimately win some sort of political legitimacy “from inside” and “from below”’

(Cerny et al., 2005: 19). Tracing this process as they see it happening in western European states and the European Union itself, in North America and New Zealand, in Latin America and in eastern European countries, Cerny et al. identify a process that is ‘almost without exception elite-driven ... based on sustained support from converted academics, policy advisers and consultants both within and outside the public sector, government officials, and firms and other economic actors, especially representatives of employers and business organisations, and, especially consumers and many taxpayers’ (ibid.: 22-23). What can be observed, therefore, ‘is not so much the continuity or maintenance of older “varieties of capitalism”, but rather the emergence of *varieties of neoliberalism* – of diversity within convergence, of the forging of different “roads to globalisation”. ... States are increasingly becoming “competition states”’ (ibid.: 21-22; emphasis in original). This belies any easy claim that the state is retreating or that its role is marginalised in the political economy of today’s globalised world order. Rather, what is happening is the redefinition of its core activities as it adapts to the new global environment in which it operates.

This concept is now being applied to a wide range of different states. For example, Cerny and Evans have argued that the policy agenda of the New Labour governments in the UK ‘in its most crucial aspects reflects the continuing transformation of the British industrial welfare state into a competition state’ (Cerny and Evans, 2004: 51). Kirby and Murphy have applied it to the very different case of Celtic Tiger Ireland, arguing that ‘in identifying the imposition of competitive pressures on the economy and on society as the central logic informing state actions, the concept of competition state explains better than do other concepts of state the ambiguities that can be observed between the state’s effectiveness in dealing with foreign capital and its ineffectiveness in addressing social needs’ (Kirby and Murphy, 2008: 140).

Soederberg asks whether the characteristics of the competition state hold true for ‘Third World’ developmental states, and if so to what extent and with what political, social and economic consequences. She seeks answers through examining Mexico and concludes that the Mexican state has indeed assumed the defining characteristics of the competition state but that the tensions between domestic and international policy imperatives are more pronounced in developing countries like Mexico than in industrialised countries. Furthermore, this shift from developmental to competition state has resulted in a paradox – greater integration into the world economy so as to capture more capital flows but with increased rates of poverty and higher levels of financial vulnerability. Thus, though Mexico has proved successful in repaying its international creditors and giving good returns to capital involved in trade and corporate production within NAFTA, ‘it has been equally effective in weakening the thin wire of political legitimacy on which the state continually straddles the ever-widening and deepening divide of rich and poor in Mexico’ thus translating into an uncertain and bumpy ride for its continuity (Soederberg, 2005: 182). Taylor examines a very different Latin American case, namely Chile, which on the face of it seems to have succeeded in integrating itself more successfully and sustainably into the neoliberal order. Tracing the central role played by the state, under military control from 1973-90, in ‘subordinating social phenomena to global market dynamics ... [and] fracturing the bases of social action’ (Taylor, 2005: 198), Taylor writes that ‘this wooing of foreign capital through providing optimum accumulation conditions reflects the tendencies noted in Cerny’s concept of “the competition state”’ (ibid.: 194). Furthermore, he argues that the Concertacion governments since the return to

democracy in 1990 'have found themselves increasingly pressurised to both satisfy the conditions for expanded accumulation through incorporating Chilean accumulation within global circuits of capital while concurrently mitigating the social polarizing tendencies of the former' (ibid.: 198). Though more successful than the Mexican case, both in terms of economic growth and of modest redistribution, Chile manifests similar tensions between accumulation and welfare.

The central role played by the Peruvian state in the country's neoliberal restructuring in the 1990s leads Ruiz Torres to argue that it too fits the description of competition state. However, he argues that it would be more accurate to call the Peruvian state a 'peripheral competition state' since it was not oriented towards improving the productive infrastructure or promoting human capital but simply sought to open the economy through liberalisation, privatisation and tariff exemptions (Ruiz Torres, 2005: 217). His description of the restructuring of the Peruvian state under President Alberto Fujimori (1990-2000) is worth quoting at some length since it describes key features of the distinctive way in which many Latin American states responded to the new situation in which they found themselves:

[T]he state was stripped of its function as a so-called motor of the economy and as an important investor in, and promoter of, strategic economic sectors. The Peruvian state reduced its contribution to the gross domestic product and abandoned its regulative function. This economic restructuring was accompanied by the promotion of policy framework conditions that were perceived to be necessary to attract foreign capital, such as the flexibilization of the labour market and favourable tax regimes. Additionally, Fujimori's determination to settle Peru's international debts greatly reduced the Peruvian state's distributive function. The state renounced its aims to create sustainable development and to take redistributive aspects into consideration. It also ceased its attempt to secure for the impoverished population access to the economic and social systems, for example, through promoting employment in selected productive sectors, through providing subsidies or through the increase of consumption levels (ibid.: 206).

Furthermore, in doing this, Fujimori went much further than was demanded by the international financial institutions (IFIs) and donor countries, according to Ruiz Torres, thus contradicting 'allegations that the state's role in economic governance automatically diminishes when faced with the constraints of globalization' (ibid.: 213).

The concept of competition state helps to identify some common features of how the state is being transformed in the context of today's globalisation. The first is the priority given by states to accommodate themselves to the needs of a global regime of open capital markets and to global production chains that are dominated by multinational corporations. The second is the restructuring of domestic financial systems characterised by a move away from Keynesian demand management to a prime concern with controlling inflation, and by reforming taxation systems to reduce taxes on capital and profits. The third is a change in forms of state regulation from public control of sectors of the economy or public services, to a more arm's-length or 'prudential' regulation designed to enforce general rules for particular economic, financial or service sectors so as to ensure competitive and transparent markets. A

fourth common feature concerns the use of more disciplinary mechanisms in the social sphere designed both to contain social spending and to create pressures for market-based solutions to social problems such as through various forms of 'workfare'. While moves towards forms of reinvented governance along these lines are evident throughout the developed world, this restructuring has taken on particular forms in regions such as Latin America. As the cases discussed here illustrate, they are marked by often acute tensions between the imperatives of capital accumulation and those of social welfare. And these particular tensions need to be seen in the contest of the region's wider economic performance, as summarised by Amsden: 'Latin America has been unable to exercise its skills to survive in a high-tech world. Growth has taken the form of spurts and slumps, but on average, as Latin America has followed its northern leader down the path of liberalization, its growth in income, employment, regional trade, and technology has stagnated' (Amsden, 2007: 147; for evidence, see Urquidi, 2005). Both economically and socially, the advent of the competition state in Latin America is failing in wider developmental terms.

### **Debates on state reform in Latin America: moving beyond neoliberalism?**

This section moves on to survey debates on the reform of the Latin American state. This is done for two reasons. Firstly, it approaches the subject of this paper from a different angle; if the previous section, using a heuristic concept developed within IPE, sought to identify how globalisation is impacting on states, this section examines how the political science literature is examining state reform. In particular it traces a new critical set of issues emerging in this literature, reflecting themes that emerged in the previous section. It therefore helps identify the challenges of state reform which are being posed analytically as a way of framing the discussion in the next section about how the 'new left' is responding politically to these challenges. The academic literature on the Latin American state has tended to organise itself in two somewhat parallel streams. On the one hand there are those scholars who have concentrated on the third wave of democratisation, a topic that has loomed large in the English-language literature (for a recent overview, see Mainwaring and Hagopian, 2005). On the other, an extensive literature has developed on the reform of the state; the focus in this literature has been on the redesign of state institutions and policies, both economic and social, in the context of global restructuring (for an overview see Lora, 2007). It is the latter literature and the concerns it addresses which are most pertinent to the subject of this paper.

Following a 'first generation' of state reforms which had slimmed down the state, liberalised trade and the financial system, and privatised state companies, all under the strong influence of World Bank policy advice, by the late 1990s attention was being focused on a second generation of reforms, this time designed to strengthen the capacity of the Latin American state to ensure greater accountability and efficiency, with particular attention to such issues as guarding against corruption, more focalised social spending, inflation targeting, labour market flexibilisation and corporatist arrangements to coordinate policy development (Zurbriggen, 2007). Again, these were strongly influenced by the World Bank's 1997 World Development Report on *The State in a Changing World* (World Bank: 1997) and the influential report on a reform agenda for Latin America and the Caribbean in the following decade (Burki and Perry, 1997). Yet, even as these reforms were being implemented throughout Latin America, questions were being raised about their design, their impact and their deficiencies (Kirby, 2003: 81-91).

Paralleling this political science literature has been the reform agenda being developed by the UN Economic Commission for Latin America and the Caribbean (ECLAC) which it has labeled neostructuralism. First introduced in an influential publication entitled *Changing Production Patterns with Social Equity* (1990), and subsequently developed through a series of publications, the neostructuralist paradigm centres on the need for the state and the private sector actively to cooperate in improving the region's ability to produce products with a high technological content, to be competitive in cutting-edge international markets, and to distribute the benefits of development widely, thereby reducing poverty and inequality (see Sztulwark, 2005 for an overview). As a leading ECLAC scholar and one of the principal architects of neostructuralism, Fernando Fajnzylber, put it, what was required was a state 'that is going to delegate responsibilities in the area of production to the existing stock of entrepreneurs; a state that is going to concentrate on the task of boosting productivity, the pace of technical progress and the level of training; a state that is going to promote social equity, or social cohesiveness' (Fajnzylber, 1994: 207). From the beginning ECLAC sought to distinguish its approach from the neoliberal paradigm. Where neoliberalism neglected the importance of technology, neostructuralism saw its acquisition and dissemination as being crucial to boosting productivity and competitiveness; where neoliberalism depended on the market to reduce poverty and inequality, neostructuralism stressed the importance for economic success of reducing poverty and inequality through active social policies; and where neoliberalism accepted low-wage labour as a competitive advantage for the region, neostructuralism emphasised technical innovation as the basis for competitiveness.

Surprisingly, neostructuralism seems to have had a minimal influence on the design of state reform policies in the region, though Leiva sees it as the inspiration for the policies of the 'new left' in South America (Leiva, 2008). However, the political science literature continues by and large to ignore the ECLAC proposal as it moves into a more critical phase. A number of emerging themes can be identified. The first is a growing consensus that the reforms to date have largely failed to foster a state that can be effective in addressing the region's major economic and social challenges. Most tellingly, as Escalante Gonzalbo highlights, even as attempts were being made to address the weaknesses of public administration and state capacity 'the problems of informality, delinquency, clientelism and corruption appeared to grow' (2007: 71). Many authors point to the volatility of the region's growth and the failure to show any substantial advances in reducing poverty and inequality over the decade and a half that these reforms were being implemented (Cornejo Ramirez, 2005; Garrido-Lecca, 2005). As Dupas puts it, as Latin America integrates with the global economy, it becomes poorer (Dupas, 2005). Indeed, it should not be forgotten that in some Latin American countries the authority of the state itself (as distinct from a particular regime that controls the state) is now under threat in a way that it has not been perhaps since the 19<sup>th</sup> century, most notably in Colombia and, in a dramatic way, in Mexico.

The first and second generation reforms were seen largely in technocratic terms, recipes drawing on theoretical approaches developed elsewhere – the Washington Consensus for the first generation and new institutionalism and New Public Management for the second generation. The failure of these approaches has generated a consensus that state reform now requires what Cornejo Ramirez calls 'a new way of



conducting politics'. So the second theme therefore is a return to the political. As he puts it, 'state reform presupposes new forms of political action ... only with a representative state and with political leadership that is respected and credible can important transformations be proposed and made viable' (Cornejo Ramirez, 2005: 113). The state needs to be seen not as situated above society and outside social relations, but 'as part of the social order' (Escalante Gonzalbo, 2007: 72). For Arellano Gault, the application of New Public Management approaches to reforming the public administration has opened an important debate on what the state should be and he expresses the central issue as follows: 'The good state is not only one that generates and provides efficient services to its citizens (clients, as some call them) but one that has the capacity to balance social interests' (Arellano Gault, 2007: 98-99). To achieve this, he adds, three types of trust need to be generated: trust by citizens in their government, the trust of society in their public servants and trust within the administrative apparatus itself (ibid.: 100-02).

The third consensus is perhaps the most surprising of all in this situation where there is a widespread lack of confidence in state capacity. This is a belief, new in Latin America, that the state is necessary. Escalante Gonzalbo points out that traditionally the left saw the state as authoritarian and an instrument of class rule whereas business elites saw it as an instrument of interference, regulation and the politicisation of markets. For a while, all attention was paid to the democratisation of the state but then the newly democratic states began to produce unexpected results – such as the crisis of political parties in Venezuela, Bolivia, Ecuador and Peru, and the governments of Chavez, Bucaram, Fujimori and Menem. 'Something was not right,' writes Escalante Gonzalbo: 'Ever more aggressive forms of clientelism, growth in poverty and the informal economy, increase of delinquency and corruption, mass privatisation of the economy and public services: The problem of the state, or more precisely of the weakness of the state, began to raise its head' (Escalante Gonzalbo, 2007: 70). In today's context of global economic challenges and local social challenges, both left and right have become convinced of the importance of the state, but for the left it is a protector state they seek whereas for the right it is a modernising and entrepreneurial state. He concludes that 'there is a need to rethink the problem of the state, to express it in terms more radical than has been done up to now' (ibid.: 72). He adds, however, that while the right has achieved a state that has been privatised and liberalised, for the left it is going to be much more difficult to turn its idea of the state into concrete policies, as the left's project is centred on resistance to neoliberalism (ibid.: 76-77).

But if there now is a consensus on valuing the state, the literature being reviewed here only addresses in quite general terms what type of state this might be. As Arellano Gault asks: 'What type of public administration and of government do we want and for what type of society and with what political dynamic?' (Arellano Gault, 2007: 108). The literature provides no specific answer to this question but it can be said to provide a general answer in that authors are agreed on two central tasks for the state: productive upgrading and social inclusion with the former being seen as a condition for achieving the latter. Bresser-Pereira, who claims credit for coining the term 'new developmentalism', perhaps comes closest to outlining what such a project might entail. He describes it as a 'third discourse' between populist discourse and the discourse of conventional orthodoxy. It is based mainly on Keynesian macroeconomics and development economics but it is not an economic theory, he writes: 'It is the set of ideas that enables developing nations to refuse rich nations'

proposals and pressures for reform and economic policy, like a fully open capital account and growth with foreign savings, inasmuch as such proposals are neo-imperialist attempts to neutralise development – the “kicking away the ladder” practice. It is the means by which businessmen, government officials, workers and intellectuals can stand as a true nation to promote economic development’ (Bresser-Pereira, 2007: 40). The challenges of globalisation require a strong state both to provide national firms with the conditions to become internationally competitive and also to address the problem of income concentration. ‘While conventional orthodoxy does acknowledge the market’s shortcomings, but argues that its policies are better than those of the state in attempting to correct them, new developmentalism rejects this pessimism towards the capacity for collective action and seeks for a strong state, not at the cost of the market, but in order for the market to be strong’ (ibid.: 49).

New developmentalism has already become the template through which the actions of some of the new left governments are being analysed. For example, Grugel and Riggirozzi analyse the ‘more dynamic role of the state in the pursuit of growth and social stability’ that has been forged in Argentina since 2002 (Grugel and Riggirozzi, 2007). While they write that this new role for the state ‘undoubtedly challenges assumptions about a global trend towards policy convergence and the triumph of neo-classical economics based on an extreme interpretation of globalization and global markets’, they also raise questions about new developmentalism: ‘How to combine a proactive state with an economy reliant on foreign investment and vulnerable to fluctuations in external demands, and how to promote a social inclusion agenda in a situation where citizenship has been separated from concepts of social rights and universal welfare also remain unanswered questions’ (ibid., 100, 101). What is surprising in the present context, in which there is a reaction against imported ideas and a turning again to Latin American ideas about development (new developmentalism is very explicitly based on ECLAC’s original developmentalist ideas), that there should be so little reference to neostructuralism in this literature. Some authors refer in passing to neostructuralism (Ferrari, 2005: 61) but Leiva’s book-length treatment of the subject in the context of the ‘new left’ is unique.<sup>4</sup> Rivarola Puntigliano mentions both but to emphasise their limitations. He writes: ‘Although neostructuralists and new developmentalists share an interest in “bringing back” the state, there is still scarce knowledge about how such a state should be constructed in order to meet the new global challenges’ (Rivarola Puntigliano, 2007: 71).

The literature on state reform in Latin America has therefore moved in recent years from concentrating on a largely institutional series of reforms, conceived of in more technical than political terms and adopted from the experiences of developed countries or from the proposals of the World Bank and the Inter-American Development Bank. In parallel with the emergence of ‘new left’ governments in the region, the scholarly literature has become more critical of what was being attempted over this phase, evaluating it in the context of the developmental challenges facing Latin American countries. Yet, as has been made clear, this literature has few detailed proposals to offer on what precise policies should be implemented to address these

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<sup>4</sup> It is difficult to group Leiva’s work with the literature on the reform of the Latin America state. It is more a work of development theory, its primary interest being to critique the developmental adequacy of the neostructuralist paradigm.

challenges, apart from a general stress on the importance of the state, of addressing citizens' needs and of fashioning responses from within the region rather than adopting ideas that come from without.

### **From theory to practice: what does the 'new left' have to offer?**

It is clear therefore that the 'new left' governments do not have available to them any project elaborated in theory, to implement. They come to power committed rhetorically to moving beyond neoliberalism but, unlike governments of the left during the era of 'real existing socialism', without any clear idea of how to achieve this. This section therefore turns to the practical politics of today's 'new left', examining how in practice the state is being reconfigured and resituated; this examination will provide the basis for drawing conclusions about lessons the Latin American experience may have to offer for the state transformations being effected in this era of globalisation. While there is much debate about the extent to which the 'new left' project is reformist rather than revolutionary, seeking a more humane form of capitalism rather than its overthrow (Barrett, Chavez and Rodríguez-Garavito, 2008), and whether its reforms are moving countries beyond neoliberalism or not (Macdonald and Ruckert, 2009), the focus here is exclusively on the nature and role of the state. It is undertaken through identifying, from the range of very different policies and projects being implemented by 'new left' governments, some common features that can be said to characterise them (though these features do not necessarily apply to all the 'new left' governments and may not be of equal importance to all to which they do apply).

The starting point for this examination is provided by recognising what Rodríguez-Garavito, Barrett and Chavez identify as the 'national and international constraints confronting governments of the left'. As they put it:

[T]he irony for these governments lies in the fact that the circumstances that facilitated their electoral victories significantly limit their room for manoeuvre. In effect, the same economic crises that swung voters to the left in countries like Brazil, Venezuela and Uruguay, left a legacy in their wake – including high fiscal and balance of payments deficits, vulnerability to attacks by speculative capital, excessive dependence on the international prices for their goods – that present formidable obstacles for changing the course of fiscal, monetary and social policy (Rodríguez-Garavito, Barrett and Chavez, 2008: 20).

As a result, they emphasise that the 'new left' agenda 'takes for granted the basic principles of market economics, while promoting reforms such as the implementation of welfare programmes for the poorest members of society, a renewed concern for public security, a more active role for the state as regulator and mediator between capital and labour, the expansion and improvement of public services, and the introduction of a more progressive tax regime' (ibid.: 22). For some of the 'new left's' supporters this is far too moderate an agenda and falls far short of the more revolutionary break with the existing neoliberal order that they had hoped for (particularly in Brazil, see Sánchez, Borges Neto and Marques, 2008: 50). However, viewed through the optic of the changing nature and role of the state that these reforms imply, they may add up to a more decisive break with the past than is apparent at first sight. To what extent this might be true can be analysed through

examining the actions of ‘new left’ governments in four areas: the economic, the regional and international, the social and the deepening of democracy.

*i) The economic:*

Despite the many economic constraints on their actions, a number of ‘new left’ governments have broken decisively with neoliberal practice by renationalising companies that had been privatised by previous administrations. While Lula disappointed supporters by reneging on promises to undertake an examination of the conduct of earlier privatisations, his administrations are not undertaking any further ones. In other cases, however, most notably Venezuela, Bolivia and Argentina, companies have been renationalised and in a speech on May Day 2008, Chavez hinted that he may cast his net more widely to nationalise companies beyond those previously privatised (Gott, 2008: 479). Furthermore, Chavez, Morales and Correa have all raised the amount of royalties that foreign energy companies operating in their countries must pay to the state. In these ways, the balance of power between the state and the private sector, both national and foreign, has been shifted in favour of the former. Once it got into power in Argentina in 2003, the Kirchner government’s policy focused on rebuilding Argentina’s industrial base, public works and public services and giving the state a central role in stimulating economic growth. The state renegotiated the terms under which some foreign companies operated the public services privatised in the 1990s and used the exchange rate as a critical tool of government policy (Grugel and Riggiozzi, 2007: 97-98). Furthermore both Argentina and Brazil paid off their entire debt with the International Monetary Fund, thus freeing the state of the onerous conditions attached to such loans while Venezuela paid its debt on time and made sure not to incur any new foreign debts. In these ways, as Papadopoulos and Zurbriggen describe in the case of the Uruguayan state under the Frente Amplio, ‘the state has moved from being increasingly absent to one that is clearly interventionist and regulatory’ (Papadopoulos and Zurbriggen, 2007: 151).

*ii) The regional and international:*

The policies of the ‘new left’ in strengthening the role of the state in international affairs has been even more decisive. The most prominent among these was the early diplomacy of the Chavez administration in strengthening OPEC and in including important non-OPEC oil exporters in the negotiations to agree output levels in order to increase oil incomes (Lander, 2005: 84). This policy, undertaken in conjunction with efforts to draw back the huge Venezuelan state oil company, PdVSA, under the effective control of the government (which only finally succeeded after the Dec 2002-Jan 2003 oil stoppage in response to which the government fired 18,000 of those who had gone on strike) laid the foundations for the state’s ability to use funds derived from oil exporting for massive social investments (see below). In Brazil, one of the most decisive policy innovations of the Lula administration was to project the country ‘as an active mediator between core and peripheral nations’ (Sánchez, Borges Neto and Marques, 2008: 59). This was most successful in forging a grouping of large developing countries, especially India, China, Argentina and South Africa, the so-called G-20, which formed a counterweight to that of the US and the EU at the World Trade Organisation, thereby more effectively promoting the interests of the developing world in the Doha round negotiations. Brazilian diplomacy has remained important in ensuring the solidity of the G-20 following the breakdown of the Cancun talks in September 2003. Brazil, Argentina and Venezuela have also strengthened the South American regional grouping, Mercosur (with Venezuela joining it),

reinvigorating it after a period of crisis and developing ambitious plans for its deepening (through the Mercosur parliament and through social transfers from the better-off to the poorer countries). As a result Mercosur has been instrumental in creating the Union of South American Nations (Unasur) in 2008. The strengthening of Mercosur as an alternative model of regionalism to the Free Trade Area of the Americas (FTAA) being promoted by the United States was an important reason for the effective collapse of the latter at the Mar de Plata summit in November 2005 which was attended by President George Bush. Alongside these regionalist endeavours, a series of regional initiatives is helping to draw the countries and peoples of Latin America more closely together. In the energy field, an 'oil alliance', PetroSur, has been established between Venezuela, Brazil, Argentina, Uruguay and Bolivia to secure energy integration while Venezuela provides subsidies through PetroCaribe to a grouping of Caribbean and Central American countries. In December 2007 in Buenos Aires, Banco del Sur, seen by some as a regional alternative to the IMF, was launched grouping Brazil, Argentina, Uruguay, Paraguay, Bolivia and Venezuela. Venezuela has also sponsored TeleSur, a 24-hour television channel for the region designed to rival the US station CNN en español; it is supported by Argentina, Bolivia, Cuba, Nicaragua as well as Venezuela and has an audience of some 5 million viewers (Kozloff, 2008: 192). Finally, out of the links between Chavez and Fidel Castro of Cuba, a novel integration initiative, the Bolivarian Alternative for the Americas (ALBA), was launched in 2004 designed to promote economic integration 'in the interests of the people not of the elites' and groups Bolivia, Ecuador, Nicaragua and Dominica as well as the founding countries. It has, for example, become the vehicle for Cuban involvement in constructing new hospitals in Bolivia (ibid.: 59). These various regional and international state-led initiatives have helped to foster closer ties between like-minded states thereby strengthening one another's capacities in some very practical ways.

iii) *The social:*

It is in the social sphere that the impact of the 'new left' is possibly most obvious to citizens. Chavez's government in Venezuela has generated an unprecedented increase in social spending, redistributing in this manner the country's oil wealth. Organised in 'missions' these are designed to by-pass the existing state bureaucracy so as to ensure the benefits reach the poor. In 2005, PdVSA paid \$6.9 billion to social programmes such as Misión Ribas (adult education), Misión Sucre (university scholarships), Misión Vuelvan Caras (economic cooperatives), Misión Guaicaipuro (indigenous land titling), Misión Barrio Adentro (community health), Misión Mercal (subsidised food markets) and Misión Milagro (eye operations, which provides free surgery in Cuba to hundreds of thousands of Venezuelans and other Latin Americans (Kozloff, 2008: 21). In Brazil, though less innovative, the Lula administration has extended and deepened some of the social programmes of the previous Cardoso government. Foremost among these is the *Bolsa Familia*, benefiting 47 million Brazilians, some 25 per cent of the population, and representing on average 21 per cent of the family budget. It is a payment in exchange for families keeping their children under 15 years of age in school, keeping their vaccinations up to date and participating in educational programmes on nutrition and breast feeding. It is considered by the government to be its greatest social policy achievement and evidence shows a modest decrease in poverty as a result; it is credited with an increase in the Workers' Party's base of support in the poorest regions of Brazil. However, the government's pension reforms, which have sought to de-link pensions from cost of living increases, have been more

controversial. In Uruguay, the Frente Amplio created a new Ministry for Social Development and launched an ambitious anti-poverty programme, *Panes*, consisting of a monthly allowance for very poor families, supplemented by initiatives aimed at facilitating people's re-entry to the labour market. Expected to cover around 45,000 households or 190,000 people, by mid 2006 it had reached 83,000 households or 350,000 people, covering most of the country's deprived population (Chavez, 2008: 113). In Bolivia, an extensive process of agrarian reform is planned as a 'process of long-term transformation of the relationships of power' (Tapia, 2008: 230). 'New left' governments have therefore strengthened the state's role in social provision, implementing programmes that are extensive in their reach.

*iv) Deepening democracy:*

The most innovative characteristic of the 'new left', and its greatest difference to the 'old left', is its commitment to deepening democracy. This is widely shared across the various governments: it is seen in the project of the Chavez, Morales and Correa governments to refound the institutions of the state through the election of a constituent assembly with the task of writing a new constitution. In the Venezuelan case, the new Bolivarian constitution has become a widely read and quoted document among the general public, particularly in relation to the rights the state guarantees to citizens. In Brazil, the Workers' Party pioneered the participatory budgetary processes when they won power at municipal level and these have become 'an icon for left-wing local governments ... displacing the decision-making power toward popular organisations and organised civil society, always with the guidance and co-ordination of a proactive state apparatus' (Rodríguez-Garavito, Barrett and Chavez, 2008: 26). In other cases, forms of direct democratic participation have arisen such as the *campesino* councils in Bolivia, the neighbourhood assemblies in Argentina and the communal councils in Venezuela. Based on these examples, it can be said that 'an emerging front on the agenda of the left is the articulation between local participatory democracy and representative democracy at the national level' (ibid.: 30).

These examples illustrate the central role being played by the state in advancing the agenda of the 'new left'. Some of the actions being undertaken, such as the various social programmes, are more intensified versions of the sorts of social programmes that some Latin American states were already undertaking within a broadly neoliberal policy paradigm. However, as Rodríguez-Garavito, Barrett and Chavez point out, other initiatives such as the Nestor Kirchner government's renegotiation of the Argentine debt 'imply a break with some of the pillars of neo-liberalism', while others such as the direct management of public companies by consumers and citizens as an alternative to privatization 'have post-capitalist characteristics, insofar as they are based on community control of production and management of productive units' (ibid.: 25-6). What unites these various actions, however, is the political will to fashion the state as a mechanism to achieve the goals being sought, particularly addressing the huge social deficits of neoliberalism as well as, in at least some of the cases, to re-establish an institutional infrastructure to seek to ensure a more responsive, democratic and well-functioning state. As Panizza has put it, while the 'new left' governments 'have opted for the strategy of "bending and moulding" the existing political institutions and economic model rather than doing away with it ... it may be that when the margins are bent and moulded enough, they will change their relation to the core to the extent that the core itself will become something different and better' (Panizza, 2005: 730).

## **Conclusions**

This survey of the policies and programmes of the ‘new left’ governments in Latin America shows that they are all in various ways and to various degrees diverging from the model of the competition state. If the competition state is accommodating itself to the needs of a global regime of open capital markets and to global production chains dominated by multinational corporations, in Latin America the state is seeking to shift the balance of power in the international economy in its favour, both through initiatives in the energy field and in international trade negotiations. If the competition state is characterised by a move away from Keynesian demand management to a prime concern with controlling inflation, and by reforming taxation systems to reduce taxes on capital and profits, in Latin America the state is stimulating demand through redistributive and taxation measures as well as increasing taxation on energy companies. If the competition state is moving from public control of sectors of the economy or public services, to a more arm’s-length or ‘prudential’ regulation designed to enforce general rules for particular economic, financial or service sectors so as to ensure competitive and transparent markets, the state in Latin America is moving in the opposite direction, playing a more direct regulatory and even controlling role in the market. And, if the competition state is using more disciplinary mechanisms in the social sphere designed both to contain social spending and to create pressures for market-based solutions to social problems such as through various forms of ‘workfare’, the state in Latin America is creating more robust programmes of social protection with strong emphases in some cases on ensuring the children of the poor stay on in education and do not have to enter the labour force. Specifically, the state is overcoming the tensions between the needs of capital accumulation and of social welfare that were becoming evident in some Latin American countries, as the state seeks to ensure that capital accumulation serves the needs of the poorest in society.

Central to the changing nature of the state in Latin America, therefore, is a resituating of the state in its relation to the market; if the central mechanism of growth and welfare under the neoliberal paradigm is the free market, the ‘new left’ governments in Latin America are seeking to make of the state the central mechanism for seeking a form of sustainable growth that can serve the needs of national development and the alleviation of poverty. Of course, this is not to say that the changing state in Latin America neglects the needs of the private sector or seeks to smother it. Clearly, as Grugel and Riggirozzi recognise in the Argentina case, ‘the weight and the authority of private and foreign capital on policy-making are much greater’ than in the protectionist era of Import Substitution Industrialisation, ‘and there are as a result much stricter limits on how far government can raise taxes, provide subsidies, regulate privatized companies or support labour movements in their struggles to raise wages’ (Grugel and Riggirozzi, 2007: 101). Furthermore, the social successes of the ‘new left’ have been achieved in a benign context when increased demand, most importantly for many commodities demand from China, buoyed primary commodity exports from the region and maintained relatively high growth rates. Therefore the challenge to fashion a more robust national system of innovation that could give a more solid and enduring base to economic growth has yet to be faced. All that can be said up to now is that the state is making a comeback as a key director of national development for many of the region’s countries.

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