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*Left Regimes in Latin America:  
Economic Aspects of Attempts to Create  
“21st Century Socialism”*

In several ways, Latin America has become the most dynamic region of the world, particularly for those interested in progressive economic and social strategies. In the past decade there have been all kinds of political changes in several countries in Latin America, which have led to the emergence of new political regimes and governments that often explicitly describe themselves as socialist in various forms, as well as other governments that do not necessarily officially subscribe to socialism but nonetheless have experimented with particular economic strategies that definitely break out of the neoliberal economic straitjacket.

Of course it is always problematic to talk off a vast region that contains large internal differences as one entity, and in Latin America this is compounded by the fact that there are major differences across countries and also often within countries, because several of the large countries adopt federal systems of government (like that in India) in which provinces have significant autonomy with respect to certain issues. Despite this caveat, it is true that in Latin America – and in particular in South America rather than Central America - there have been some significant commonalities of experience ever since the

## THE MARXIST

1970s, with waves of external debt-induced growth in the 1970s followed by the neoliberal domination of the 1980s and 1990s, and then most recently the wave of alternative and more leftist approaches of the 2000s.

The new Left regimes of Latin America have recently become the objects of much more attention and interest, as it has become evident that some of the governments in this region are trying to forge new pathways towards the goal of more equitable and just economies and societies. There is now some discussion about the new “21<sup>st</sup> century socialism” that is being developed in practice especially in countries like Bolivia, Venezuela and Ecuador, whose governments have explicitly declared their socialist orientation. In several other countries where the politics is more complex and the regimes do not always speak of socialism as the goal, such as Brazil and Argentina, there are nevertheless important changes in economic and social strategy that mark some significant breaks with the neoliberal model. This has led to the expression “pink tide” in Latin America – not fully red, but certainly a change from the undemocratic, elite capitalist regimes of the past.

In this article, some features of the economic strategies of these new Left governments in Latin America are briefly described and analysed. The main focus is on Venezuela, Bolivia and Ecuador, which have the most radical governments and have implemented some of the most interesting economic policies. However, some progressive strategies of other governments such as in Brazil, Argentina and Chile, are also touched upon. What these indicate is that even in the most extreme circumstances of deep integration into the global structures of capitalism and the direct and active intervention of the United States as regional hegemon, it has been possible for these governments to implement progressive and occasionally even potentially transformative policies because of the changed domestic political economy.

### BACKGROUND

The 1960s and 1970s in Latin America was an era of military coups, first in Brazil and Bolivia in 1964, in Argentina in 1966 and 1976, and finally in Uruguay and Chile in 1973. By the mid 1970s, most of Latin America was under military rule, much of it extremely brutal

and authoritarian. These regimes survived partly because of their ability to crush internal dissent through unabashed use of force and systematic elimination of their opponents (as in the case of those killed or imprisoned by the Pinochet regime in Chile, or the many thousands of young people who simply “disappeared” in Videla’s Argentina, still commemorated by the Mothers of the Plaza de Mayo in Buenos Aires). They also survived because of the explicit or implicit support of the United States, which propped up and assisted such government because of their proclaimed anti-Communism during the Cold War. Not only were such regimes mostly undemocratic and intolerant (often in extremely vicious ways) but they also became aggressive promoters of neoliberal economic policies that dismantled the structures of import substitution and pursued strategies of external debt-driven development that eventually culminated in the Latin American debt crisis of 1982.

The economic inequalities generated by this strategy were made politically feasible by the political repression that was regularly practised by such regimes. The purpose of such coups was not only to thwart the possibility of socialist alternatives such as had emerged in Cuba but to suppress labour to ensure the untrammelled expansion of capitalism through the neoliberal economic model.

The underlying material reason for the emergence of radical or progressive alternatives in so many countries of the region is the exposure of the continent to the ravages generated by the neoliberal economic paradigm. In many ways Latin America was the first and most extreme laboratory for the neoliberal economic strategy. In the 1950s and 1960s, many countries in the region experienced the strategy of import-substituting industrialisation that sought to achieve some economic diversification on the basis of public investment and state intervention in the economy.

However, with the exception of Cuba, economic neoliberalism, often in its most extreme undiluted form, was imposed on every country in the continent. This began in Chile with the US-backed military coup that unseated Salvador Allende in 1972, and it was then adopted by most of the other governments in the region. This process was intensified and accentuated in the wake of the external debt crisis of 1982, which enabled the IMF and external creditors to impose the most extreme conditionalities in return for debt restructuring that actually bled the continent for the next decade.

## THE MARXIST

The “lost decade” of the 1980s in Latin America was not just a period when national incomes and wage levels plummeted: it also led to dramatic shifts in economic power and control over resources that have proved very hard to reverse even among the most determined governments. The ultimate “resolution” of the debt crisis through the Brady Plan proposed by the then US Treasury Secretary essentially involved the conversion of debt into equity of state enterprises and natural resource extractive companies that were then rapidly privatised.

It has been noted (Sader 2008) that the political defeat of organised labour, as well as the disarming of earlier movements of the Left in the region, were the preconditions for the imposition of the neoliberal model, which incorporated widespread privatisation and economic deregulation as essential elements. The strategy then relied on massive increases in open unemployment to ensure the marginalisation of organised labour in almost all forms. This regressive shift in the balance of class forces in turn enabled the transfer of natural resources and public utilities into private hands, enriching a few at the expense of the rest of the population. The domination of private corporate capital (both multinational and national) was ensured also by the refusal of the states to engage in the taxation and spending that would ensure social and economic rights of citizens.

In the 1990s, neoliberalism became the dominant economic approach across the political spectrum in Latin America: not just for the repressive dictatorships and other openly rightwing governments (Fujimori in Peru, and governments in Bolivia and Venezuela, for example) but for supposedly “nationalist” parties such as the PRI in Mexico and the Peronists under Menem in Argentina, as well as social democratic parties in Chile and Venezuela.

This was associated not only with economic volatility in a context of overall material stagnation, but also worsening conditions of the mass of people. Economic development was more or less stalled and inequalities grew so extreme as to make the region the most concentrated and unequal in the world. The economies also became very vulnerable to external financial forces because of the accumulated debt burden. The repeated and severe economic and financial crises in the region also spawned resistance, though because of the repression as well as the intellectual hegemony it had achieved over policy makers, this took some time to coalesce into viable political alternatives.

Across the region, the political changes began in the late 1990s,

beginning with when the long period of military rule in several countries finally gave way to electoral democracy. As this process matured, the hold of neoliberalism was loosened by the emergence of a wide variety of social forces: not just workers and small peasants, but social movements of marginalised groups of different types. In other Latin American countries, where electoral politics had long been the preserve of the elites and functioned essentially to preserve their political power, there was a greater movement towards wider political participation, which in several cases culminated in more openly leftwing and progressive forces coming to power directly or in coalition with other groups. The important point to note is that all of these progressive governments - with varying degrees of commitment to socialism but clearly anti-neoliberal in intent - came to power through the ballot box and subsequently have cemented their control through elections. Many of the leaders and ministers of the new governments had been directly targeted (often imprisoned) by the earlier repressive regimes because of their youthful commitment to socialist ideals, and this certainly influenced at least some of their subsequent policies.

The wave began in 1998, with the election of Hugo Chavez as President in Venezuela. The government in Venezuela went on to enact a series of major economic and political changes that were path breaking in the continent and set the tone for several subsequent progressive regimes. There have been criticisms of Chavez's political style and attempts at centralisation, but it is impossible to deny the major and progressive transformations of the economic and social structures that have been achieved in Venezuela under his leadership, especially after many decades of elite-driven rule that deprived the bulk of the population of any of the benefits of Venezuela's resources and income growth.

The other regimes that are more explicitly socialist in orientation are those in Bolivia and Ecuador. In Bolivia, Evo Morales, the indigenous leader who had emerged on the political arena by representing poor farmers from backward rural areas, came to power on the back of an uprising of a coalition of workers and peasant groups, and bolstered by a campaign against the privatisation of water. "Morales was elected on a platform that pledged to nationalize natural resources, undertake agrarian reform and convene a Constituent Assembly, charged with redefining Bolivia as a multinational, multi-ethnic, multicultural state. The indigenous movement progressed

## THE MARXIST

from specific issues—such as water—through a struggle against the national government, to the creation of a party rooted in social movements, and finally to the construction of an alternative anti-neoliberal project for Bolivia to be implemented by a state re-founded on new lines.”<sup>1</sup>

In Ecuador, the economist Rafael Correa was elected as President in 2006, and so unexpected was his victory that he did not even have a party organisation at the time, but then had to create one from scratch (though loosely based around the various progressive groups and small radical parties that had supported his candidacy). Both of these countries had earlier experienced extreme political instability, with frequent changes of government that disguised the fact that all the governments were more or less subservient to the dictates of US foreign policy and the interests of the multinational companies that saw these countries as happy hunting grounds.

There were other leftwing governments that came to power, usually on platforms that were more broadly “social democratic”. There was the Socialist Party in Chile, led first by Ricardo Lagos who won the election in 1999, and then Michelle Bachelet in 2006. In 2002, Luis Ignacio da Silva (“Lula”) won the Presidential election in Brazil and went on to another term with a massive electoral mandate, followed by his successor from the same Workers’ Party, Dilma Rousseff, who became President in 2010. In Argentina, in the midst of the major financial crisis that caused the collapse of the currency and created huge dislocation in the economy and polity, Nestor Kirchner of the Peronist Party was elected President, and his policies provide so popular that he was easily elected for another term. Subsequently he has been followed by his wife Cristina Fernandez who has broadly followed similar policies. In Uruguay, Tabare Vazquez was elected in 2004 on the explicit promise of undoing many of the existing neoliberal economic policies. In Nicaragua, the Sandinista Daniel Ortega was elected after more than a decade out of power, albeit on a much more “moderate” platform than before.

Some of these governments have been relatively less radical in both their rhetoric and their economic policies, and have been more willing to accept the constraints posed by the changing nature of global capitalism. Even so, there have been some significant innovations in social and economic policies – often those that have

*not* been highlighted in the mainstream media but deserve to be more widely known.

There are still other progressive governments that have come to power more recently, whose economic policies are beginning to learn from and follow upon the strategies developed in the region. In Paraguay in 2008, the socialist Fernando Lugo was elected to power, ending several generations of oppressive rule by the dictator Stroessner and his Colorado Party, which had ruled the country with an iron hand. In 2009, Jose Mujica was elected in Uruguay, another country where politics had earlier been the preserve of the elites. In Honduras, the 2006 election of Manuel Zelaya was unfortunately short-lived, as a coup (believed to be at least implicitly supported by the United States) succeeded in unseating him in 2009. Mauricio Funes won the El Salvador elections in 2009, and his government has also sought to embark on alternative economic policies.

In 2006 in the Presidential elections in Mexico, the leftwing candidate Manuel Lopez Obrador was narrowly defeated in an election whose results are still bitterly contested, but the rightwing candidate in the Presidential elections held on 1 July 2012 was defeated by the more left-of-centre candidate of the PRI, Pena Nieto. The recent victory of Ollanta Humala in Peru in 2011 suggests that the progressive wave in Latin America is by no means over. It is noteworthy that this has occurred and continues to occur despite corporate and neoliberal control over much of the mass media, which have been aggressive opponents of such political tendencies and active in their efforts to undermine their popular legitimacy.

In the rest of this article, I will focus more specifically at the economic strategies of the governments of Venezuela, Bolivia and Ecuador, because they are among the most interesting of the various radical alternatives that are being developed in different parts of the Latin American continent, and provide some pointers to the economic possibilities generated by progressive politics elsewhere in the world.

#### Approach to growth and development

What is most significant about - and common to - the economic development strategies of these three countries is that they eschew GDP as the only explicit goal, and instead emphasise universal satisfaction of basic needs through an endogenously determined and sustainable strategy. The Preamble to the Constitution of Ecuador, for example, notes that the goal is to build a “new form of public

## THE MARXIST

coexistence, in diversity and in harmony with nature, to achieve the good way of living, the *sumak kawsay*” and “a society that respects, in all its dimensions, the dignity of individuals and community groups”. The good way of living (known in Spanish as “*el buen vivir*” but more effectively translated from the original Kichwa as “life to the fullest”) is both a philosophical-ethical approach and a material concept, rooted not just in a broad humanitarian tradition but also in the specific outlook of Kichwa-speaking and other indigenous groups.

This focus on “the good way of living” involves a development structure with the following objectives:

- To improve the quality of life and life expectancy, and enhance the capacities and potential of the population;
- To build a fair, democratic, productive, mutually supportive and sustainable economic system based on the egalitarian distribution of the benefits of development and the means of production, and on the creation of decent, stable employment.
- To foster participation and social monitoring, acknowledging the diverse identities and promoting their equitable representation, at all stages of governance.
- To restore and conserve nature and maintain a healthy and sustainable environment ensuring for persons and communities equitable, permanent and quality access to water, air and land, and to the benefits of ground resources and natural assets.
- To guarantee national sovereignty, promote Latin American integration and boost strategic insertion into the global context, which contributes to peace and a democratic, equitable world system.
- To promote balanced, equitable land use planning, integrating and coordinating socio-cultural, administrative, economic and management activities and bolstering the unity of the State.
- To protect and promote cultural diversity and to respect its spaces of reproduction and exchange; to restore, preserve and enhance social memory and cultural heritage.

This in turn means that the basic macroeconomic growth strategy is not profit-led but wage-led and employment-driven, which in turn means changing the balance of class forces in favour of workers and peasants. The benefits to the people are sought to be realised in the framework of a rights-based approach. These rights are not seen in



the individualistic sense of libertarian philosophy. Rather, rights are more broadly defined in terms of entitlements as well as through recognising the need for social and political voice – not just of citizens, but also of communities and groups, in the manner described earlier. The way that these governments have interpreted this in practice has generally been related to demands for citizens’ or groups’ entitlements from the state. The Constitutions of all of these countries explicitly incorporate the inalienable human right to water, for example. There is also recognition of the right of all citizens to “healthy, sufficient and nutritional food, preferably produced locally and in keeping with their various identities and cultural traditions. There is recognition of rights of citizens to free education (at all levels) as well as to health services and a “safe and healthy habitat and adequate and decent housing, regardless of their social and economic status”. The emphasis on free access has important implications, requiring public provision rather than private delivery based on user charges.

Also, there is greater sensitivity to the special needs of certain groups and how their rights need to be defined accordingly. There tends to be more explicit recognition of the rights of women in particular, but also of the elderly, children and young people, persons with disabilities. The acceptance of the rights of indigenous peoples, communities and even “nations” within a country is also much more explicit. Both Bolivia and Ecuador place great significance on being “pluri-national and pluri-ethnic” states.

All of these countries emphasise the need to move away from being primary producers, though that goal is obviously not a short term one and thus far has been elusive, also because of the enormous rents from primary production (mainly oil) in the past decade. Ecological concerns also loom large, as will be elaborated later. Overall the objective of this strategy is to generate wealth to satisfy the basic needs of the population, but on the basis of an inter-generational sustainable process that simultaneously results in democratising its benefits. It is worth noting that this has not necessarily meant that GDP growth is sacrificed – indeed, as is evident from Chart 1, GDP growth has been comparable to the Latin American average throughout the period since 2003, and in Bolivia and Ecuador has also been less volatile.

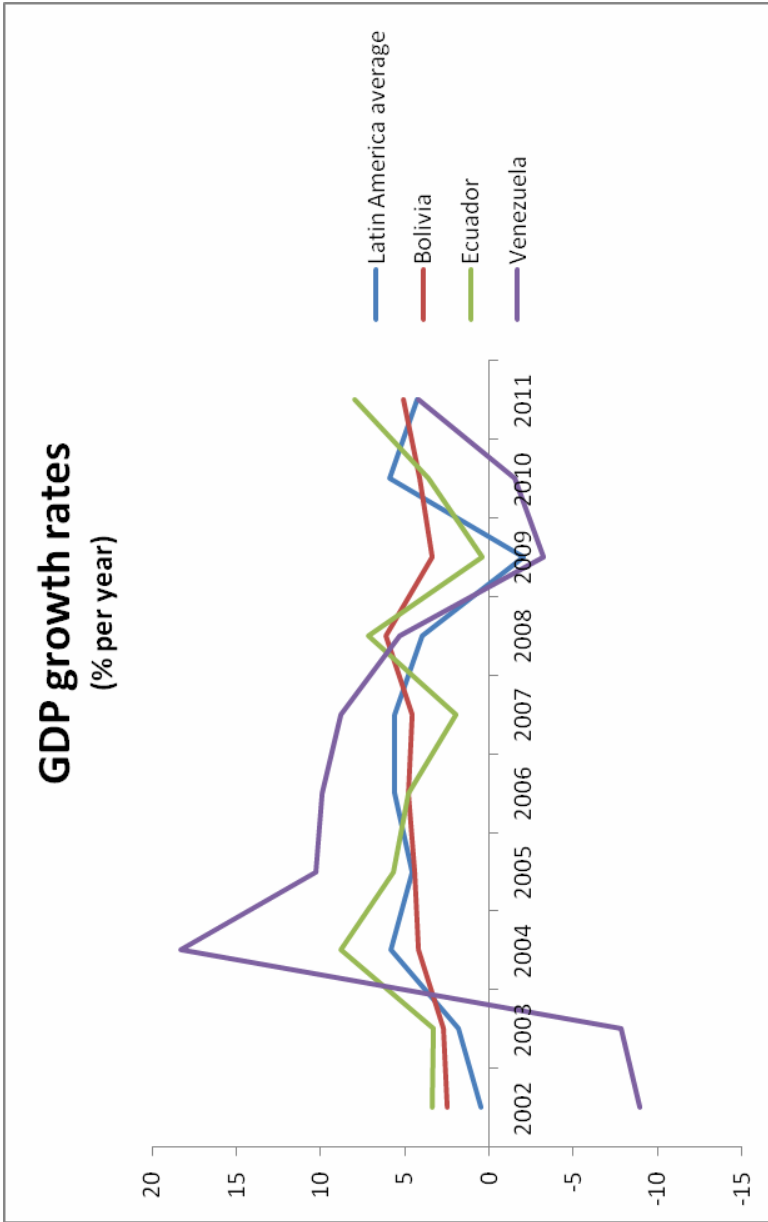


Chart 1.

Source: ECLAC Overview of the Economies of Latin America and the Caribbean 2011-12  
Policies on the control of land in Venezuela

One of the most significant interventions in Venezuela has related to land distribution, which has been a central component of the overall development strategy under President Hugo Chavez. Venezuela's agrarian reform began in November 2001 when Chavez signed by decree the Land Law, which mandated the breakup of large fallow landed estates, part of the "latifundios" that had dominated agriculture in the country throughout most of its history. The law gave the state the legal authority to expropriate any lands underutilized or illegally acquired and redistribute them to farming collectives comprised of wage workers previously without access to their own parcels.

Article 15 of the National Constitution of Venezuela guarantees the right of individuals to own private property, but says the state shall place restrictions and obligations on that property "in the service of the public or general interest." Article 15 also guarantees "fair compensation" to all expropriated property. Since then, the state land reform agency has taken over some 7.7 million hectares of land and redistributed around 1.1 million hectares of that to rural labourers and small farmers.<sup>2</sup> Much of the rest has been used for state farms and research laboratories. This latter use is important because another purpose of the land reform is to improve food security and reduce the country's historic dependence on imported food. This is being sought to be achieved by turning the once underutilized lands into productive tracts in line with the country's needs.

In 2010, The Venezuelan National Assembly passed a reform to the Land Law, which increased the ability of landless tenant farmers to obtain land and strengthens the state's power to convert large, idle estates into food producers. Communal Councils, peasant councils, and "any other type of collective organization," are now included among the groups of people recognized as legitimate occupants of privately owned lands. These groups have the right to the "self-management and co-management" of their lands and to participate in "strategic, democratic, and participatory planning" of "integral and sustainable rural development."

The new law prohibited the eviction of farmers from the land they are occupying or working on as tenants at the time of the law's passage. Farmers who occupy land after the law's passage with the intention of cultivating the land and gaining title to it are also protected, unless their occupation is determined to be illegitimate or unjustified.

## THE MARXIST

The reform also changed the definition of a latifundio. While the original law defined a latifundio as any estate larger than 5,000 hectares (12,250 acres), the reformed law says a latifundio is a piece of land that is larger than the average in its region or is not producing at 80% of its productive capacity. This capacity is to be determined “in accordance with the plans and policies of the national executive, in the context of a regime that favors the common good and social function [of lands]”. The original law explicitly subjected private lands to the government’s policy of converting Venezuela from an oil-dependent food importer to a self-sufficient, diverse economy. But the reformed law goes even farther, establishing in Article 13 that the state will give special preference to “the peasants who have the willingness and aptitude for agricultural production in harmony with the plans and agrarian programs of the National Executive.”

More recently, the Venezuelan government introduced a new programme, Mission AgroVenezuela, with a similar goal - to stimulate agricultural production by providing assistance to any farmer willing to dedicate their land to domestic production. The assistance comes in the form of low-interest credits through state financing as well as access to technical aid, supplies and farming machinery such as tractors and harvesters. One important aspect of this strategy is the desire to push more sustainable farming techniques, including organic techniques. “Biological control and biofertiliser labs are being set up across the country to produce beneficial insects and fungi, and soil inoculants. Seed banks and seed treatment plants have been established to provide the range of agricultural genetics suited to the various regions. The aim is to completely bypass the international corporations that supply seed around the world, and preserve the genetic diversity that has been built up in Venezuela for thousands of years. Genetically modified (GM) seeds are not allowed, though this is not ruled out in future if some are found to be safe. The precautionary principle is used.”<sup>3</sup>

### CONFRONTING AND DEALING WITH GLOBAL CAPITAL

All three of these countries are exporters of oil and natural gas. This has been a huge advantage, especially in a period of rising world oil prices, but it would be wrong to think that this would automatically

benefit the country or the people. Consider Nigeria, for example – also a major oil exporter, but one in which the benefits of the oil exports have been almost entirely cornered by multinational companies and the small local elite. It is often supposed that these countries’ ability to bring about positive macroeconomic changes is essentially the result of the fact that it has been an oil exporting country in a period of high and rising global oil prices. But oil exports alone do not guarantee much economic progress, and in fact the presence of natural resources can even generate opposite outcomes, associated with the “resource curse”, as high export prices generate effects that discourage diversification of production, and the economic rents from these resources are appropriated by a small minority of the population. Indeed, until recently, all three of these countries displayed both of these tendencies quite sharply. It is not the presence of oil resources *per se*, but rather the recent ability of the government to transform the nature of control over oil and use these rents for improving material conditions for the population as a whole, which is at the heart of the improved performance.

So a very important lesson that comes from the experience of both Bolivia and Ecuador is how these two relatively fragile governments in small countries that are part of the US “backyard” have nevertheless managed to change the terms of external engagement with global capitalist forces that are generally seen to be much more powerful. This has been evident most sharply in two major areas: oil rents of transnational companies; and renegotiating the “unfair” external debt held by the government.

The first important element of this strategy was the renegotiation of oil contracts with multinational companies. In Bolivia, Evo Morales decreed the nationalization of the energy industry, claiming all gas and other energy resources both below and above ground as the property of the state. In practical terms, this means that the four principal energy companies from Spain, Argentina, Brazil, and France had to negotiate entirely new contracts with the Bolivian state energy company. The Bolivian government demanded that the previous mode of profit-sharing be precisely reversed, from 18 per cent in royalties to Bolivia and the rest of the profits going to the companies, to 82 per cent share for Bolivia—in the form of taxes and royalty earnings—and the rest for the energy companies. (This is

## THE MARXIST

not as extreme as it sounds: the government of Norway, for example, imposes 78 per cent taxes on its offshore oil.) Similarly, a new law in Ecuador July 2010 dramatically reversed the terms of the contracts, increasing the Government of Ecuador's share from 13 per cent to 87 per cent (on average) of the gross oil revenues.

Obviously this was met with anger and consternation in the international industry. In both of these countries some companies decided to pull out, and their fields were taken over by the state oil companies. But the others stayed on, finding it profitable to operate even on these new terms because of the relatively low costs of extraction. Recently there has been a series of renationalisations of important extractive companies in all of these countries. As a result, the governments were able to benefit much more substantially from any increase in global oil prices. This was important because it enabled oil revenues to be used in public spending directed towards social goals.

Another major initiative was the repudiation of unjustified external debt contracted by previous regimes that were often unelected. External debt service was previously a major drain on these governments' and countries' resources. The Correa government in Ecuador declared that it would not continue to service and repay debt that had been contracted by unelected regimes on unfair terms for the country. This involved a complicated process of auditing the external debt and renegotiating illegitimate external debt, as more than 90 per cent of bonds were withdrawn from the market. The process led to a dramatic reduction in debt service payments, saving an estimated \$7.5 billion for the public exchequer.

This more confrontational approach to global capital – which was only seeking to ensure some greater balance in what had hitherto been an extremely unequal relationship – has also meant that these governments have had to deal with the structures of global capitalism that are designed to enforce global rules usually in favour of large capital. These relate not just to well known institutions like the IMF, World Bank and WTO. Increasingly, it is the more shadowy but still extremely powerful agencies like the international arbitration bodies that adjudicate disputes in international investment treaties. All three countries have withdrawn from ICSID, the World Bank's arbitration panel, because of claims of bias and conflict of interest in their awards,

which have disproportionately favoured large capital. They have also rejected or withdrawn from several Bilateral Investment Agreements that were signed by previous governments, because these were not in the interests of the people of their countries. There have been systematic attempts to reduce dependence on oil exports and diversify trading partners to reduce dependence on the US.

This cannot be done by countries individually, so all of these countries are also very keen to promote regionalism, South-South co-operation and interaction with friendly countries who can provide some support in the confrontation with imperialism and global capital. There have been several attempts to build such Latin American unity, ranging from ALBA (Bolivarian Alliance for the Americas) that has been promoted by Venezuela to the Banco del Sur (Bank of the South), a regional bank for development that is still being planned. There is also much enthusiasm for greater technology transfer and sharing of locally relevant knowledge among countries.

#### MACROECONOMIC POLICIES

One interesting feature of all of these countries has been the emphasis on maintaining a prudent macroeconomic stance. To some extent this is also in recognition of the difficult external context, in which excessive build-up of public debt or large deficits are speedily punished by cross-border capital movements even when constraints are sought to be imposed. But a prudent stance with low fiscal deficits does not mean that the state has reduced its role or that there is lower spending. Rather, the focus has been on raising taxation, and then using those resources along with the revenues from oil production to build required infrastructure for the development of the country and provide social spending to provide social and economic rights and improve the lot of the poor.

Consider Ecuador, for example. Revenue mobilisation strategies have involved directly taking on the large domestic bourgeoisie. Despite the very large increase in oil revenues, the public chequer has actually reduced its dependence on oil during the Correa regime - the share of oil revenues in total government revenues has come down and non-oil revenues now account from nearly three quarters of government revenues. This is mainly because of a massive effort

## THE MARXIST

towards efficient tax collection, which has caused more than doubling of tax revenues in five years. This success is due primarily to better enforcement, collection of tax arrears and reducing tax avoidance, which in turn has only been possible because of breaking the cosy political nexus that had existed in the past between the tax administration and the large businesses that reaped most of the benefit of domestic economic growth in the past. Partly as a result of the tax enforcement drive, government revenues in Ecuador increased significantly as share of GDP, even while they were falling in the region as a whole.

Similar processes have been evident in Bolivia as well, where this has also created problems across provinces because of some regions (where the oil resources are concentrated) still being controlled politically by large corporate interests that are unwilling to share their proceeds. Even so, it is worth noting that this pressure on private capital to squeeze out more tax revenues has not been associated with “declines in investor confidence” and consequent declines in private investment. Rather, as Chart 2 indicates, investment rates have gone up quite sharply across these three countries. Both Ecuador and Venezuela have had investment rates that are higher than the regional average, and the rate of increase has also been very creditable in Bolivia despite all the constraints.

The point is also that such resources have then been spent in areas that directly benefit the people in terms of both employment generation and better standards of living and quality of life. Public housing, road infrastructure to backward areas, health, education and sanitation have been the priority spending areas of all of these governments. All three have at least doubled spending on health and education and have focussed their efforts on ensuring good quality and free public services in these important areas. This has enabled real progress towards the constitutional goals of free education at all levels and access to free health care for all citizens.

### POLICIES TOWARDS LABOUR

These regimes have also been directly concerned with labour markets and policies that affect the conditions of workers. In all of these countries there has been significant expansion of public employment. In Ecuador, the expansion of public employment has occurred not



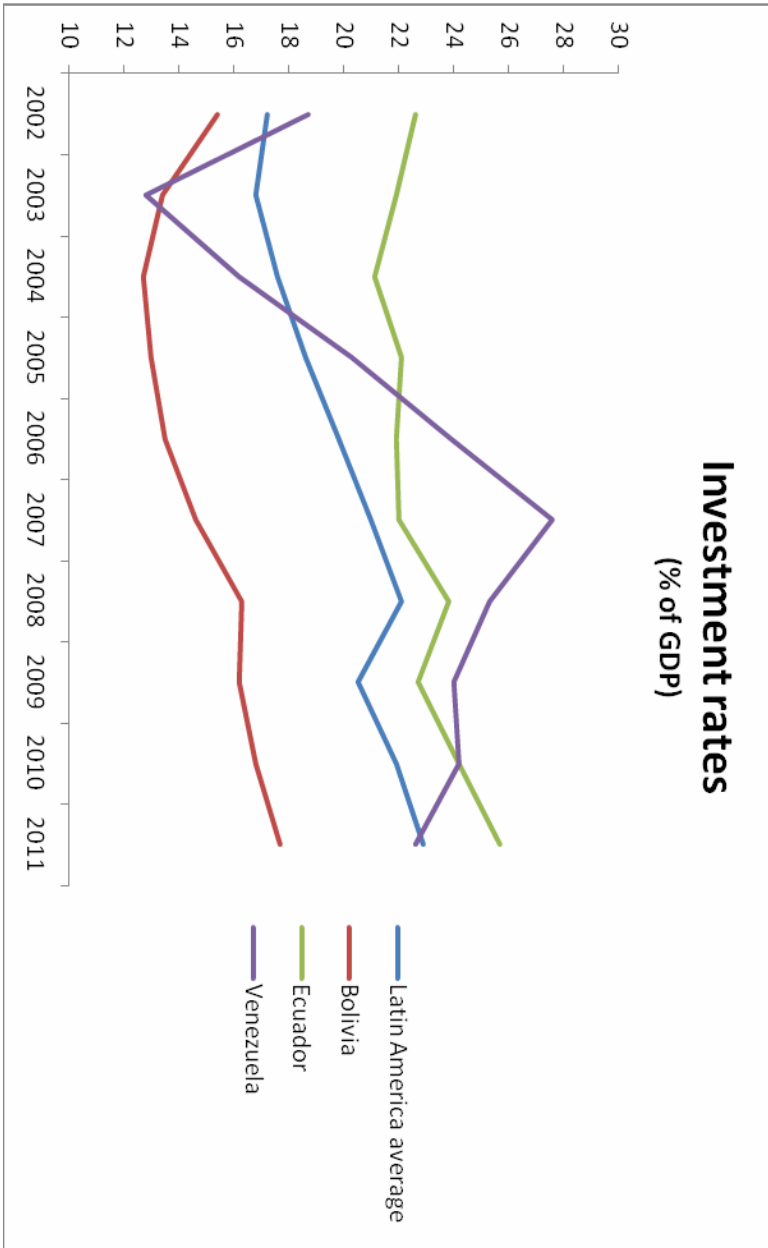


Chart 2.

Source: ECLAC Overview of the Economies of Latin America and the Caribbean 2011-12

## THE MARXIST

just because of more people hired to deliver public services, but by eliminating contractors and outsourcing of public employment, thereby providing previously outsourced workers with more stable conditions and better wages.

In all of these countries (and indeed, across the other “pink” regimes of Latin America) the legal minimum wages have been increased and – even more importantly – sought to be rigorously enforced. There are now laws that seek to ensure that all employers, large and small, provide social security coverage for their workers. Social security coverage has increased from 39 per cent of all workers before 2006 to more than 55 per cent at present. Women working in domestic service have also been covered by minimum wage laws for the first time in the country’s history and are increasingly sought to be affiliated to the Social Security Institute, to enable them to receive pensions and other benefits. There has been an effort to enlarge public banking operations to reach more small and medium entrepreneurs. The combination of extending the coverage of formal employment, bringing in tripartite wage bargaining and sizeable hikes in minimum wages have reduced inequality and poverty and improved the conditions of workers generally. These have also specifically benefited women workers.

New forms of social protection are also being developed, such as pension schemes for informal workers and public pensions to be provide to unpaid home workers, laws to provide rights to domestic servants, and so on. Once again, these have not led to lower demand for workers from private employers – rather as Chart 3 shows, open unemployment rates have fallen in all three countries.

## ATTITUDES TO SMALL PRODUCERS

One common theme in economic strategy across these countries is the need to generate or enhance the viability of small scale production. There is a clear reaction against past attempts at centralised control over all aspects of material life, which have been experienced as rigid, inflexible, hierarchical and lacking in accountability, thereby rendering them into the opposite of what was intended.

So these government do not require or expect centralised ownership and control over all economic activities, although obviously

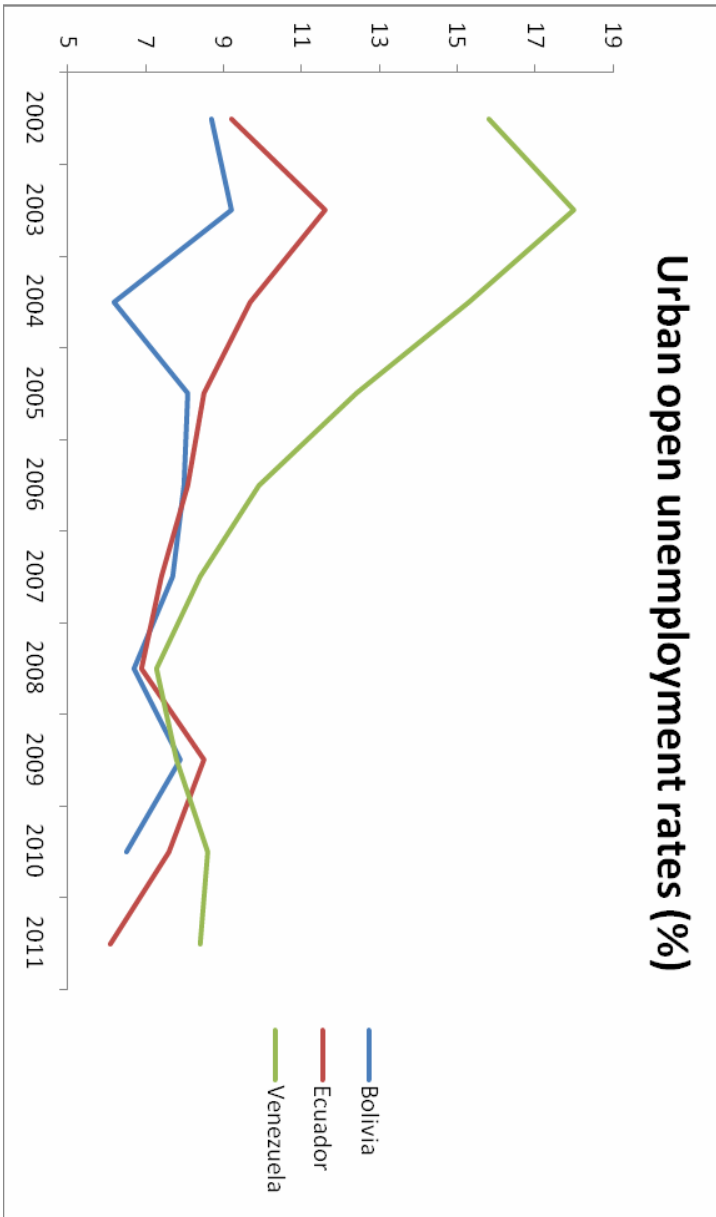


Chart 3.

Source: ECLAC Overview of the Economies of Latin America and the Caribbean 2011-12

## THE MARXIST

scale remains essential to some activities and to the regional redistribution that is required. Small holder cultivation and small scale providers of services as well as of manufactured goods are recognised as worthy of direct state support and of being provided sufficient enabling conditions for their activities. Where economies of scale are known to be significant, there is renewed exploration within the Left of forms like co-operatives and other combinations in different manifestations. The aim is to find a balance between large and small, which will obviously differ according to context. Also, there has been explicit recognition or incorporation of other forms of property rights, particularly communal property associated with traditional, indigenous or autochthonous “communities” who are not derided as pre-modern relics that have to be done away with, but as participants in the process of building pluri-national states.

### LIMITATIONS, CONCERNS AND PROSPECTS FOR THE FUTURE

These are still early and halting steps towards a transformative agenda, not least because these governments are functioning in complex political economies with many different pulls and pressures. It is undeniable that much of the economic progress has been enabled by the global primary commodity boom, which was (for a change) made good use of – and when that boom subsides there will be some greater difficulties in financing the ambitious social agenda of fulfilling rights that these states have set themselves.

Also, precisely because of their radical nature, these states have generated extreme political polarisation and face threats from internal and external destabilising influences. Sometimes these are sought to be dealt with through concentration of political power, which in turn creates its own problems. The fragility of such regimes remains a cause of concern, because elites and ruling classes do not give up their privileges without a fight, and because imperialism is also unlikely to be looking in the other direction for too long. In 2009 a coup in Honduras ejected the leftwing and radical President Manuel Zelaya from power, and most recently in late June 2012 an illegal parliamentary coup in Paraguay has removed President Fernando Lugo. In both Honduras and Paraguay the narrative has been the same: of a progressive leader ousted by internal rightwing forces that are determined to halt policies that threaten their business interests,

instigated or protected by external powers such as the US. Rafael Correa in Ecuador has been the target of several coup attempts, most recently one in 2010 from which he was rescued also by the prompt diplomatic intervention of Brazil and Argentina along with Venezuela. The threats remain and require constant vigilance in all of these countries.

The transformative agenda exemplified in the Constitution of these progressive countries and in some of their current policies is still work in progress, and may be altered depending upon domestic political economy considerations. But the groundwork laid in these past years cannot be easily undone even by different political forces, once the people have become more conscious of their rights and more aware of their own role in ensuring them. Most of all, the achievement in these countries, even within a relatively short time, serve as important indicators of how much can be achieved even within a complex and challenging global context, if only the domestic politics changes sufficiently to generate a genuinely progressive alternative.

#### NOTES

<sup>1</sup> Sader, Emir (2008, page 16) “The weakest link? Neoliberalism in Latin America”, *New Left Review*, 52, July-August.

<sup>2</sup> Details from <http://venezuelanalysis.com/news/6938>.

<sup>3</sup> Alan Broughton, “Venezuela: Land reform, food sovereignty and agroecology”, <http://www.globalresearch.ca/index.php?context=va&aid=21109>.