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Author(s): Evelyne Huber, Dietrich Rueschemeyer and John D. Stephens

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# The Paradoxes of Contemporary Democracy

## Formal, Participatory, and Social Dimensions

*Evelyne Huber, Dietrich Rueschemeyer, and John D. Stephens*

“We care about formal democracy because it tends to be more than merely formal. It tends to be real to some extent. Giving the many a real voice in the formal collective decision-making of a country is the most promising basis for further progress in the distribution of power and other forms of substantive equality.”<sup>1</sup>

We made this assertion when we introduced the results of a broad-based comparative historical investigation of the roots of democracy in capitalist development. We held that formal democracy was valuable in its own right, but we emphasized that it makes deepening towards more fully participatory democracy and progress towards increasing equality possible. And we argued, further, that the same social and historical conditions that promoted formal democracy—in particular, a shift in the class balance of power in civil society favoring subordinate classes—would also advance the cause of greater social and economic equality. Yet in the current historical conjuncture strides toward introducing and consolidating formal democracy in Latin America and eastern Europe appear to be combined with movements away from more fully participatory democracy and equality. We want to analyze this apparent anomaly in this article.

We begin by defining formal, participatory, and social democracy. By formal democracy we mean a political system that combines four features: regular free and fair elections, universal suffrage, accountability of the state’s administrative organs to the elected representatives, and effective guarantees for freedom of expression and association as well as protection against arbitrary state action. Indeed, the word democracy is commonly understood in this way when it is used with some conceptual care. Often, however, it is used more loosely. Current political discourse bestows the label frequently on any country that has held an election roughly free of fraud. Even if elections are held with some regularity, it is worthwhile to inquire whether opposition could be expressed and organized without fear and to what extent the state apparatus is in fact accountable to elected officials. If in the past limitations of the suffrage were the most common means to abridge democracy, today restricting the state’s accountability and curtailing civil rights are the less easily visible tools of choice.<sup>2</sup>

Even if all four requirements are met, a country may still be far from equality in the process of making collective decisions. Formal democracy does not entail an

equal distribution of political power. And—presumably related closely to differences in the distribution of actual political power—formally democratic countries will differ considerably in social policies that reduce social and economic inequality. We therefore introduce two additional dimensions: high levels of participation without systematic differences across social categories (for example, class, ethnicity, gender) and increasing equality in social and economic outcomes. We call a political system that meets the requirements in the first four plus the fifth dimensions participatory democracy.<sup>3</sup> Social democracy denotes a political system that meets the requirements in all six dimensions.<sup>4</sup> Social democracy is thus akin to T. H. Marshall's concept of "social citizenship." Policies that effectively advance it will be called "social democratic" policies.<sup>5</sup>

Formal democracies fall far short of the ideals associated with this conception of social democracy. But to dismiss them as merely formal would be problematic and even politically and intellectually irresponsible. Certainly, protection of human rights and thus the elimination of fear of the military and police brutality are immensely important to all citizens in their daily lives. Even the formal share in political decision making represented by voting in regular intervals has often brought real advantages to the many. And governmental accountability to elected representatives restrains abuses of power that are clearly detrimental to the interests of citizens at large. Above all, however, formal democracy opens the possibility of, and is a requisite for, advances toward participatory and social democracy.

Formal democracy can support advances toward social democracy where higher levels of political mobilization support reformist political movements and social democratic policies. Egalitarian social policies in turn enable more citizens to participate in the political process and thus contribute to the consolidation and deepening of democracy. Historical developments can demonstrate such a virtuous cycle.

Yet this virtuous cycle is not the only possibility. Formal democracy may remain formal. A disjunction between formal and social democracy was not a problem for nineteenth century liberals. Indeed, they predicted and desired it, and many of today's neoliberals would take the same position.

Finally, a more detrimental but equally realistic possibility is a vicious cycle. Inegalitarian policies and the poverty they create engender such problems as marginalization and crime. Politically, they may lead to demobilization, the corrosion of judicial and civil rights, and a "delegative democracy" that sharply reduces the accountability of the government.<sup>6</sup> The possibility of a vicious cycle is particularly relevant for new and transitional democracies, where we often find considerable variation in the extent to which the criteria for formal democracy are met and where the foundations of democracy are particularly vulnerable.

In the following we will discuss determinants of formal, participatory, and social democracy in the current historical conjuncture, drawing primarily on develop-

ments in Latin American countries that have made transitions to democracy since the late 1970s. Before we turn to these current Latin American developments, however, we will first briefly restate the theoretical framework we developed and put to the test in our earlier comparative historical analysis of the conditions of formal democracy, then develop theoretical expectations about the conditions of participatory and social democracy based on the literature dealing with mature industrial democracies.<sup>7</sup>

### **On the Conditions of Formal Democracy**

Democracy, even formal democracy, is a matter of power and power sharing. This premise led us to focus on three clusters of power as shaping the conditions for democratization as well as for the maintenance of formal democracy. First, the balance of class power is the most important aspect of the balance of power in civil society. Second, the structure of the state and state-society relations shapes the balance of power between state and civil society and also influences the balance of power within society. Third, transnational structures of power are grounded in the international economy and the system of states; they modify the balance of power within society, affect state-society relations, and constrain political decision making.

Shifts in the balance of power in society and particularly in the balance of power among social classes are the major explanation for the overall relationship between capitalist development and democracy. Capitalist development, we found, reduces the power of landlords and strengthens subordinate classes. The working and the middle classes, unlike other subordinate classes in history, gain an unprecedented capacity for self-organization due to such developments as urbanization, factory production, and new forms of communication and transportation. And collective organization in associations, unions, and parties constitutes the major power resource of the many, who lack power based on property, coercion, social status, or cultural hegemony. These changes in the balance of class power link democracy to development, even though the particular outcomes vary across countries due to differences in the politics of mobilization and class alliances.

This finding negates other explanations of the link between capitalist development and democracy. This link is not due primarily to an expansion of the middle classes. Nor can it be explained by a structural correspondence between capitalism and democracy, by the thesis that more complex societies require a differentiated and flexible form of government. Finally, our findings are at odds with the classic claim of both liberal and Marxist theory that democracy is a creation of the bourgeoisie, the dominant class of capital owners.

However, the balance of class power is not the only factor shaping the conditions

for formal democracy. The correlation between capitalist development and democracy is far from perfect, and this imperfection is due in large part to the impact of the other two power clusters, the structure of the state and of state-society relations and international power structures.

The structure of the state and state-society relations are critically important to the chances for democracy. The state needs to be strong and autonomous enough to ensure the rule of law and avoid being the captive of the interests of dominant groups. However, the power of the state needs to be counterbalanced by the organizational strength of civil society to make democracy viable. The state must not be so strong and autonomous from all social forces as to overpower civil society and rule without accountability. The different parts of the state, in particular the security forces, must be sufficiently under presidential and/or parliamentary control to insure *de facto* accountability.

International power relations are equally important to the chances for democracy. Aside from the impact of war (typically creating a need for mass support and discrediting ruling groups in case of defeat), power relations grounded in the changing constellations of world politics and the world economy can very strongly affect the structure and capacity of the state, the constraints faced by state policymakers, state-society relations, and even the balance of class power within society.

It was, and is, our hypothesis that these three clusters of power are not only important in the establishment and the maintenance of formal democracy but are also critical in deepening formal democracy toward more fully participatory democracy and advancing toward social and economic equality.

### **On the Conditions of Participatory and Social Democracy: Past Research and Theoretical Expectations**

Several bodies of literature are relevant for the development of our hypotheses on the determinants of participatory and social democracy. The first deals with the determinants of political participation across countries. We do not limit political participation to voting but include all forms of politically relevant mobilization as well as the effective translation of citizens' demands into the political process via institutional channels such as political parties. The literature on comparative social policy and the interrelated literature on social democracy, including wage bargaining, union organization, and workers' participation and codetermination, are also relevant to our argument. We can draw only selectively on these voluminous bodies of literature here, but our review faithfully reflects the main thrust of past research.

**The Balance of Class Power and Class Coalitions** The interlock between our theory of the social origins of formal democracy and the empirical findings of the bodies of literature bearing on the determinants of participatory and social democracy is very tight in the case of class power relations. Indeed, our arguments on the effects of class power and class coalitions on formal democracy can be seen as the exact counterpart of the “class power resources” approach to explaining cross-national differences in welfare state development and more broadly variations in the social democratic policy agenda as characterized above.<sup>8</sup> The central tenets of this approach have received substantial support in both comparative historical and cross-national quantitative research. On the redistributive impact of welfare provisions, on their “decommodifying” impact, on the provision of public social services, and on their impact on gender equality, rule by social democratic parties or union strength appears as the single most important explanatory variable.<sup>9</sup>

The social democratic policy pattern is not limited to social policy. Indeed, it is not limited to government policy but also includes, most importantly, the outcomes of bargaining between employers and unions. Various studies have shown a close relationship between social democratic governance and/or union strength and workers’ rights, codetermination, egalitarian wage policy, and unemployment.<sup>10</sup> Other studies have shown that the egalitarian policy pattern promoted by social democracy has not come at the expense of economic growth.<sup>11</sup> Given its high wage costs and generous social provisions, the social democratic growth model (and, incidentally, the German Christian Democratic model) of economic success has taken the “high road” to international competition, based on capital intensive, high labor quality export production.

Though grounded in a very different theoretical approach, some of the principal findings of the literature on cross-national differences in participation mesh well with this class mobilization view of the welfare state.<sup>12</sup> This research shows that cross-national differences in participation result primarily from differences in the participation of socioeconomic status groups. These differences, in turn, are the product of the institutional setting: countries with strong unions and strong parties, especially working class parties, are characterized by no socioeconomic differences in voter turnout and relatively small ones in other types of participation.

**State and Civil Society** The empirical work bearing on participatory and social democracy does not address the relationship between the state and civil society in the same fashion as we, along with other scholars, have done in analyzing the social and historical origins of formal democracy. However, a large body of works addresses the effect of state structure and state actors on the welfare state and can be refashioned to fit our way of framing the question.

Before outlining the hypotheses suggested by this literature, it is necessary to comment on the concepts of the “density of civil society,” “citizen mobilization

and participation,” and “power of subordinate classes.” These concepts are distinct but refer to closely interrelated phenomena. Given the close links between organization and participation in the political process shown in the empirical literature, the density of civil society and the degree of citizen mobilization and participation must strongly covary across societies. Subordinate class power is primarily a consequence of class organization, so it too must covary with the density of civil society. But they are not the same thing. Bowling leagues and singing associations strengthen civil society without doing much for political participation or class organization. The League of Women Voters and the Sierra Club strengthen civil society and political participation without greatly strengthening class organization. Trade unions and peasant leagues strengthen all three.

It is fundamentally mistaken to view the relation between state action and the self-organization of society as a “trade off”—the more of one the less of the other. To the contrary, associations in civil society have tended to grow, both in the United States and in Europe, as the state took on new tasks in society. The self-organization of subordinate classes, too, stands everywhere in a relation of mutual reinforcement with state social policies.

The autonomy as well as the instrumental capacity of the state is critically important for advances toward social democracy. One might be tempted to argue on logical grounds that, in a formally democratic polity, the more autonomous the state is, the less citizens’ mobilization and participation in the political process will translate into influence on policy outcomes, other things being equal. In the limiting case, an extremely autonomous state can ignore the demands of citizens no matter how well mobilized they are. However, a distinction between autonomy of the state from dominant socioeconomic interests and overall autonomy complicates the picture usefully: the higher the degree of independence from dominant interests and the greater the responsiveness to broad-based pressures, the greater the chances for advances toward social democracy. Any policy-based advance toward social democracy requires significant instrumental state capacity: the greater the state’s capacity to implement policies effectively, the greater the degree to which citizens’ mobilization and participation will translate into influences on social outcomes, *ceteris paribus*.

Some scholars have argued that state autonomy, the policymaking activity of bureaucrats or “political elites,” and the insulation of elites from popular pressures (all related but conceptually distinct) lead to social policy innovation.<sup>13</sup> Moreover, while the motivations they attribute to elite innovators vary from benevolence to Bismarckian cooptation, they almost always see innovation as pushing policy in a more generous direction. But the relationship between autonomy and policy development and generosity is a post hoc empirical generalization. Logically, an autonomous state or autonomous political elite could roll back policy just as easily

as expand it. What we expect to be decisive is the degree of autonomy from dominant socioeconomic interests and the responsiveness to more broad-based pressures. The latter may include, as in Bismarck's social security legislation, a responsiveness to anticipated pressures and tensions in society.

**Transnational Structures of Power** In the cases of relations of class power and, to a lesser extent, of state power vis-à-vis civil society, our theoretical framework leads us to predict that the same constellation of forces would promote formal as well as participatory and social democracy. In the case of transnational structures of power, however, the effects on formal and social democracy are quite different, and the present conjuncture, though quite favorable for formal democracy, especially for regular elections, freedom of contestation, and universal suffrage, is very unfavorable for participatory and social democracy. We can distinguish two features of transnational structures of power, the international market, on the one hand, and multilateral institutions dominated by core countries and bilateral relations, on the other.

In the recent literature on the welfare state and social democracy in advanced industrial democracies, the impact of the international system on social democratic policy has been a central, probably the central, concern. The main point of departure of recent research has been the contention that recent reversals of social democratic policy in its heartland of northern Europe can be attributed to the increasing internationalization of the economies of advanced capitalist societies in general and the process of European integration in particular, which have constricted—indeed, according to some observers, virtually eliminated—the policy options of these societies' governments.

There are reasons to take the most far-reaching of these claims with a bit of skepticism. As Katzenstein has pointed out, the small democracies of Europe, most of which have been governed frequently by social democracy, had very open economies well before the post-Bretton Woods era of increased internationalization, and their large welfare states can be seen as "domestic compensation" for organized labor's acceptance of wage restraint and other policies to promote international competitiveness.<sup>14</sup> We have argued elsewhere that the modest increases in trade openness of the past two decades have had little effect on the social democratic economic model, and the generous social democratic welfare state has not undermined the competitiveness of the exports of these countries. However, the dramatic internationalization of financial markets has eliminated some of the supply side tools which were central to social democracy's economic model during the golden age of postwar capitalism.<sup>15</sup>

Part of the neoliberal myth contends that the worldwide trend toward liberalization, deregulation, and privatization can be explained entirely by the fact that increased international competition has forced nations to take these measures



as steps toward greater efficiency. The role of the U.S. government, the IMF, the World Bank, the *Bundesbank*, and other international and core country institutions in promoting, at times one should say enforcing, neoliberal policies can not be denied. Thus, the political side of current transnational structures of power, while supporting the expansion of formal democracy, has worked against the promotion of participatory and social democracy because it has closed off consideration of alternative social democratic policy and, by closing off alternatives, has made popular mobilization and participation less meaningful.

### **Determinants of Formal Democracy in Contemporary Latin America**

Discussion of the trajectory of democracy in Latin America since the late 1970s has to begin with the distinction between the transition phase and the phase after the first democratic elections, generally called the consolidation phase.<sup>16</sup> Conditions that prevailed during the first do not necessarily persist in the second. Moreover, conditions that are favorable for transition may not necessarily be equally favorable for consolidation.

In the dominant conceptualization of consolidation, all relevant actors accept the rules of the democratic game and thus abandon the search for other routes to political power. Consequently, these actors and a larger public believe that democracy will persist for the foreseeable future.<sup>17</sup> Some authors add the elimination of vestiges of authoritarian rule, such as military prerogatives and other restrictions on the authority of elected officials, as a criterion, which is another way of saying that a consolidated formal democracy has to meet fully the requirements in all dimensions, including accountability.<sup>18</sup>

In practice, many democracies have survived without achieving full consolidation in the sense of eliminating these vestiges and ensuring the acceptance and proper functioning of a whole array of democratic rules and institutions.<sup>19</sup> The international community generally regards countries as democracies when they meet the test of regular free and apparently reasonably fair elections with universal suffrage. However, many of these countries are deficient in other criteria that define formal democracy. Most prominently, accountability is often weak because of overpowering presidents and weak legislatures and judiciaries. Second, civil and, to a lesser extent, political rights are very unevenly protected across classes, genders, and territorial units.<sup>20</sup> Third, patrimonialist practices blur lines between the public and the private realms.<sup>21</sup> In a close analysis, many of the new democracies in Latin America conform to our conceptualization of formal democracy only partially.

In terms of our three clusters of power as applied to the new democracies in Latin America, after an upsurge of mobilization during the transition the balance of class

power shifted against subordinate classes, and the weakness of subordinate classes is responsible for the deficiencies in formal as well as in participatory and social democracy. As far as the state is concerned, various dimensions of weakness facilitated the transition but then became obstacles both to full realization of formal democracy and to any movement towards social democracy. Finally, the international system has had contradictory influences on formal and social democracy.

**The Balance of Class Power** There is general agreement that the transitions from authoritarian rule began with tensions within the military governments and between them and their bourgeois allies, typically intensified by economic problems.<sup>22</sup> What pushed initial liberalization towards democratization, though, was pressure from a rapidly reemerging civil society. Such pressure came from a whole gamut of associations, ranging from press and bar associations at the top of the social ladder to human rights groups in the middle and unions and neighborhood organizations in poor urban communities at the bottom. For these divisions at the top and pressures from the bottom to result in democratic elections, political parties also had to regroup and furnish the leadership to negotiate the terms of exit with the authoritarian rulers.<sup>23</sup>

The upsurge of mobilization of old and new social movements during the transition was followed by a decline after the first democratic elections. In part, this decline was due to the disappearance of the common target of protest, in part to disenchantment with the failure of democratic rule to bring about significant improvements in the material situation of most citizens, and in part to the difficulties experienced by social movements in attempting to work with and through political parties.<sup>24</sup> In addition, in those countries where economic stabilization and structural adjustment policies were continued and intensified after the transition (for example, Argentina, Brazil, and Peru), civil society, particularly labor, was weakened substantially.

Despite the decline in mobilization and the weakening of organizations of subordinate classes, formal democracies have persisted, albeit in a form meeting principally the criterion of democratic elections and falling short in accountability and protection of civil rights. The deficiencies in formal democracy can easily be explained in our theoretical framework by the lack of strong organizations of subordinate classes. To explain the survival of (often truncated versions of) formal democracy, we need to remind the reader that we have emphasized the delicate balance between pressures from below and threat perception at the top necessary for the installation and survival of democracy.<sup>25</sup> This balance remained favorable for democratic survival, as pressures from below weakened but threat perception declined more radically.<sup>26</sup> This decline in threat perception is in part due to the very weakening of labor, to disarray and lack of a coherent project on the left, and to

external pressures reinforcing a neoliberal order favorable to the newly powerful business groups, a topic to which we shall return.

**The Structure of the State** Fragmentation of the state apparatus and disunity among the groups controlling it were conducive to democratic transitions. Divisions opened the space for the upsurge of civil society and for the formation of coalitions among softliners within the state apparatus and members of the democratic opposition.<sup>27</sup> After the transitions, though, continued fragmentation and weakness of state institutions, particularly those that had been suspended or manipulated under authoritarian rule, such as the legislature and judiciary, became an obstacle. They made it difficult to establish the accountability of elected officials as well as universal enforcement of civil and political rights.

In some cases and in some respects developments in the state apparatus have favored the survival of formal democracy. In Argentina the size of the coercive apparatus of the state was reduced, and civilian control over the security forces strengthened. In such countries as Argentina, Brazil, Peru, and Bolivia, state shrinking as a result of structural adjustment policies reduced opportunities for corruption, that is, the blurring between the public and private sphere.

**The International System** The most visible and important impact of the international system on the survival of (albeit deficient forms of) formal democracy has certainly consisted of diplomatic pressures to respect democratic elections.<sup>28</sup> Whereas such pressures from North American and West European countries were crucial in many cases of early transitions, increasingly these pressures have emanated from Latin American countries themselves. Democratically elected governments developed a strong self-interest in ostracizing neighbors deviating from formal democratic election procedures.

Developments in the geopolitical situation, particularly the end of the cold war, have been conducive to the survival of democracy both directly and indirectly. Directly, they have reduced the tendency of the two superpowers to support nondemocratic but loyal regimes. Indirectly, they have eliminated the perception of a Communist threat among economic elites and thus the fear of potential weaknesses of democratic regimes in the face of such a threat or, even worse from their point of view, of potential complicity of democratic governments with Communist forces.

Developments in the world economy have had a more ambiguous impact on formal democracy. On the one hand, the debt crisis helped the transitions along by intensifying internal tensions in authoritarian regimes and between them and their allies in civil society. Moreover, the insistence of international financial institutions on neoliberal reforms has reduced the perceived threat to private property among economic elites and thus increased their tolerance for formal democracy. On the

other hand, continuing debt pressure and the imposition of structural adjustment measures have reinforced a tendency to concentrate power in the executive, insulate economic policymakers, and rule by decree. In other words, they have hampered the institutionalization of democratic consultation and accountability. In addition, they have effected a shift in the balance of power against subordinate classes and thus reduced the potential for a rectification of these deficiencies.

### **Determinants of Participatory Democracy in Contemporary Latin America**

**The Balance of Class Power** As we pointed out above, comparative research has shown that a high degree of organization among lower classes (or socioeconomic status groups) reduces class differentials (or differentials by socioeconomic status) in political participation.<sup>29</sup> In addition, the literature on the welfare state has demonstrated that among these organizations political parties play a crucial role in articulating lower class demands for redistributive policies and translating them into policy.

The new democracies in Latin America have experienced problems in both areas. In the particular juncture of the transitions, pent-up demands for information about victims of human rights abuses, for economic policy changes and minimal social services, for labor rights, and for democratic elections were strong enough to mobilize citizens into action even in the absence of organizational ties. Yet as the common target of mobilization, the authoritarian regime, was removed, mobilization subsided. Because of their ephemeral organizational structure, most of these movements were not capable of sustaining the intense political involvement of subordinate classes.

Political parties by and large failed to establish ties to subordinate classes and articulate their demands effectively. The clearest case of a party's coming to power on the basis of traditional identification with subordinate class interests and making strong efforts to protect those interests once in office was APRA in Peru in 1985. However, its failure in the area of economic management in the medium and longer run led to popular disaffection and the decimation of its electoral strength. The Peronists under Menem in Argentina and the People's National Party under Manley in Jamaica campaigned on their traditional appeals to subordinate class interests but once in power switched course and implemented neoliberal reforms.<sup>30</sup> In Chile parties traditionally identified with subordinate class interests committed themselves during the transition to continuity in economic policies and stayed the course once in government. Accordingly, they did not make particularly strong attempts to revive their close ties to organizations of subordinate classes that had been broken under military rule. The results in these cases have been greater

cynicism among the population toward the political process, lower party loyalty, and lower voter turnout where turnout is not kept high by compulsory voting.

Voter turnout among subordinate classes has been kept high in many cases in a way that does little to effectively translate lower class interests into policy. The political space left empty by weak popular organizations and the failure of political parties to establish organizational ties to subordinate classes has been filled by clientelistic networks. These networks link lower class individuals and informal social groups to individual politicians; they serve at best as transmitters of temporary particularistic favors, not as channels to mobilize citizens into influencing policy formation. This pattern is particularly strong where parties are weak, as in Brazil, Peru, Bolivia, and Ecuador.

**The State and State-Society Relations** To the extent that power has become centralized in the executive and presidents tend to regard legislatures and the judiciary as obstacles rather than legitimate partners in government, there is little room for popular political participation beyond the act of voting, particularly where presidents came to power through loose electoral coalitions and distance themselves from the coalition parties when in office. Pressuring an impotent legislature and working through a presidential party that has little influence on government policy are not promising forms of citizen participation. Repeated failures depress political mobilization among all but the most ideologically committed.

Political decentralization has been high on the agenda of international financial institutions, particularly the World Bank, and several governments in new democracies. However, decentralization in many cases remained limited to the local administration of centrally determined policies and centrally allocated resources. In some cases it has strengthened the position of local elites and their clientelistic networks. Where control over both resources and policy responsibility have been decentralized, citizen participation at the local level is shaped by previous experiences with mobilization and by the organizations that serve as mobilizing agencies.<sup>31</sup>

**Transnational Structures of Power** In contrast to its positive effect on the survival of formal democracy, the international system has had a depressing effect on citizen participation. External pressures to adopt neoliberal policies have reduced the space for policy debates and greatly constrained citizen participation.

The international system has also contributed powerfully in an indirect way to a decrease in citizen participation. As policies favoring the unrestrained functioning of the market are imposed on and adopted by increasing numbers of countries, the losers in the new economic order lose not only income, job security, and government supports, but often much of their political "voice" as well.

Consequently, lower class organization is weakened, further reducing chances for social democratic policies to correct growing socioeconomic inequalities.

Economic problems rooted in the international system, most prominently continuing debt pressures but also growing internationalization of capital, have also weakened a critical part of the infrastructure of participation, political parties and party systems. The first democratic incumbents confronted exaggerated expectations, and their inability to meet even the most basic economic needs of middle and lower classes caused their parties to be decimated at the polls in the second elections. Chile is the exception that confirms the rule. The government of the *Concertación* under Aylwin inherited an economy with macroeconomic stability, attractive conditions for foreign capital, and a healthy growth rate, which enabled it to make some progress in the area of social spending and real wages and to win reelection under Frei. In Argentina, Peru, and Brazil, in contrast, decimation of the incumbent parties further weakened the capacity of already fragmented party systems to mobilize and process citizen participation.

### **Determinants of Social Democracy in Contemporary Latin America**

**The Balance of Class Power** Strong organization of labor and electoral strength of prolabor parties are crucial determinants of the effective implementation of redistributive policies in advanced industrial democracies. The unfavorable shift in the balance of class power away from labor and towards capital resulting from a combination of labor repression under military rule and neoliberal reforms under both military and democratic rule and the weakness of political parties in the new democracies have been largely responsible for the failure of state policy to address the issue of redistribution in a meaningful way.<sup>32</sup> The neoliberal adjustment policies implemented to different degrees in virtually all the new democracies have made this issue highly salient because they have significantly aggravated previously high socioeconomic inequality. The combination of financial liberalization and privatization of state enterprises has led to a high concentration of economic assets. The combination of trade liberalization and emphasis on market allocation of resources has promoted a new mode of integration into the world economy based on production with low skill/low wage labor. Finally, cuts in government expenditures for subsidies and social services have hit the lowest income groups particularly hard.

Economic concentration, of course, means the concentration not only of wealth but also of power. The power of capital vis-à-vis both labor and governments has been further enhanced by financial liberalization and the internationalization of production chains. These developments have made capital much more mobile, and thus the threat of exit more credible, which constrains governments in their policy

options and induces labor to make concessions. This power shift has been felt even in advanced industrial democracies, and it is more pronounced in new democracies.

The beneficiaries of neoliberal reforms, then, have become very powerful constituencies and obstacles to the pursuit of social democratic policies. With very few exceptions, the new democracies have done little to reverse the trend towards increasing poverty and inequality. Even in the economically successful cases, such as Chile and (up to late 1993) Mexico,<sup>33</sup> the real minimum wage has lagged greatly behind productivity increases and has remained well below the levels of the preadjustment period.<sup>34</sup> Among the new democracies in Latin America, Chile is arguably the country where the strongest efforts have been made to combat poverty through social policy. It has reduced the poverty rate from 40 percent in 1990 to roughly 30 percent in 1994.<sup>35</sup> However, very little has been done to strengthen organized labor and other popular organizations that could function as effective mobilizers of redistributive pressures.

**The State and State-Society Relations** Social democratic policies are premised on the fact that the market has inegalitarian consequences that can be corrected only by state intervention. Aside from the political will and power base to undertake redistributive state intervention, a state apparatus must be capable of executing such policies in a consistent, coherent, and effective manner. The lack of such a state is a major problem in the new democracies of Latin America. Most of these new democracies inherited a state apparatus characterized by fragmentation, overlapping responsibilities, nonmeritocratic hiring, and often corruption. Consequently, state intervention, particularly redistributive intervention that goes against vested interests, is difficult to implement. The neoliberal ideology and practice of state shrinking have done little or nothing to correct these problems. In fact, to the extent that they led to an antistate attitude and drastic cuts in salaries for public servants, they caused demoralization and exit among the most qualified incumbents in the bureaucracy.

In contrast to claims that the autonomy of state bureaucrats was the source of generous social policy in advanced industrial democracies, the experience of the new democracies suggests that executive autonomy from broad-based domestic political pressures has been used mainly in the opposite direction, to cut social expenditures. Of course, there is an important difference between advanced and developing societies: the degree of autonomy from external pressures. In the new democracies, international financial institutions and other supporters of the "Washington consensus" have actively enhanced executive autonomy from broad domestic political pressures, precisely in order to put the executives in a better position to implement these "consensus" policies. Once the neoliberal policies took effect and created their own support among the winners, the large financial

and export firms, these constituencies became more politically assertive. It is reasonable to hypothesize that their growing power will limit executive autonomy. But it will also reinforce the pattern of state-society relations that is least likely to shift policy in the direction of redistribution and reduction of inequality: the growing dependence of state elites on economically powerful groups and a high degree of autonomy vis-à-vis subordinate classes.

**Transnational Structures of Power** Increasing internationalization of financial operations and production chains has reduced governments' room to maneuver even more in developing than in advanced industrial countries. Moreover, the new democracies in Latin America have also had to increase trade openness greatly, causing dislocations well beyond those caused by changing conditions of international competition in the traditionally much more open economies of European redistributive welfare states. The key here has been the continuing debt pressure in many new democracies and thus their exposure to pressures for rapid and rather indiscriminate trade liberalization. The speed and range of these reforms made it too difficult for many firms to adapt to the new conditions, resulting not in retooling for export production but rather bankruptcies, rising unemployment, and low economic growth.

Financial internationalization reduces, in particular, governments' capacity to influence interest rates in order to stimulate investment. Competition in the world economy on the basis of cheap labor reduces governments' capacity to raise corporate taxes, including payroll taxes for social security contributions. Finally, excessive reliance on the market and abandonment of state interventionism to promote progress towards competition in the world market on the basis of higher skill/higher wage production keep real wages very low even in economies that are successful from the point of view of macroeconomic stability and growth. In other words, the dominant mode of integration of the new Latin American democracies into the world economy deprives governments of some of the crucial traditional policy instruments to increase employment, raise real wages, and finance redistributive social policies.

## **Conclusion**

The theoretical expectations we derived from our earlier comparative historical analysis of the relationship between capitalist development and democracy and from the historical experience of European welfare states proved themselves powerful in accounting for current developments in Latin America. The apparent contradiction between advances in (modest forms of) formal democracy and mounting obstacles in deepening democracy towards more participation and



dealing with socioeconomic inequality finds a consistent explanation if we look at the impact of the three clusters of power—the balance of class power, the structure of the state and of state-society relations, and international power structures—and their interaction.

We argued that in the current conjuncture the balance of class power is unfavorable for advancing towards participatory democracy and pursuing social democratic policy but mildly favorable for the survival of formal democracy, albeit of a deficient variety. Neoliberal reforms have increased economic concentration and thus greatly strengthened some sectors of capital, at the same time they have undermined the economic base and organizational power of subordinate classes, particularly labor. This decline in the organizational strength of subordinate classes removed a crucial basis for mobilization into political participation. A weaker power base and lower participation on the part of those who stand to benefit from redistributive reforms, in turn, have left the winners of neoliberalism with no effective political adversaries capable of pushing through social democratic policies.

The balance of class power favors the survival of formal democracy, at least in the present favorable international political context for formal democracy, because the threat perception of elites is low, in part precisely because of the weak organizational power base of subordinate classes and in part because powerful external economic actors firmly support the economic model that has strengthened the most powerful members of the economic elite. However, we have also argued that the weakness of political parties representing interests of subordinate classes has resulted in weak accountability, that is, in deficiencies even in formal democracy.

State structure and state-society relations have not developed in a favorable direction for either complete formal or for participatory and social democracy. With a few exceptions, most notably Chile, bureaucracies persist in far from Weberian practices, and the combination of economic crisis and state shrinking has weakened the judiciary and other agencies in charge of overseeing the executive branch. The shift in power relations in civil society has weakened state autonomy from dominant class interests and increased state autonomy from subordinate class pressures. These developments have had parallel negative effects on accountability, incentives for citizen participation, and social democratic reform.

Finally, in the current conjuncture international power structures have opposite effects on formal democracy and participatory and social democracy. They encourage formal democracy, while virtually blocking a deepening of democratic decision making and policies aimed at a reduction of social and economic inequality. Moreover, we have also identified the incipient forms of a more vicious cycle. Market-oriented economic policies supported by international pressures and by local constituencies gaining from them tend not only to undercut social

democratic reform policies, but also to threaten the foundations of even formal democracy.

Can we generalize from Latin America to the less developed world as a whole? Clearly not, as far as specific conditions are concerned. Yet the fundamental forces are similar across the globe. African political economies seem, overall, to be far more vulnerable to international pressures, have weaker internal supports for democratic governance, and have less effective states than Latin America. Countries in the former Soviet bloc are coping with much more radical economic transformations than Latin America, while their states, especially in the former Soviet Union, have yet to gain the coherence and efficiency necessary to shape social and economic developments, quite aside from the constraints imposed by the international system. The chances for formal democracy seem better in East Central Europe and in the long run even in South and East Asia. But the prospects of a deepening of participation and social democratic policies are there, too, subject to the same factors as elsewhere: the balance of power in civil society, the structure of the state and state-society relations, and the impact of world politics and the world economy on the balance of power within countries.

Are there policy alternatives that allow at the same time for economic growth and the development of formal democracy into more participatory and social democratic forms? And do such policy alternatives have a chance to be realized in the context of the international economic and political system? In this article we can hardly give definitive answers to these questions. However, we can offer some observations based on our ongoing research on the chances for social democratic policy alternatives in Europe and Latin America.<sup>36</sup> The past successes, current difficulties, and future prospects of social democratic reform in Europe have a number of lessons for Latin America. First, social democratic reform can be carried through in the context of low tariff barriers, high dependence on trade, and fiscal conservatism. European social democracies actually thrived on such conditions, delivering both growth and equity during the three decades of their greatest achievements following World War II. The left and labor in Latin America have been successful in pursuing their policies of equalization and protection of workers' interests only in protected economies, with fiscal deficit as a frequent tool and, arguably, at the expense of growth.<sup>37</sup> Second, in many Latin American countries unemployment and precarious employment in the informal sector contribute much more to the severity of the problem of inequality than do low wages in the formal sector. Third, though Latin American countries are better situated to compete on the basis of low wage costs in the current international economy than European countries, many countries in the world economy, above all in Asia and Africa, will always be able to undercut Latin American wages. Moreover, the goal of economic development is ultimately to raise people's living standards. Basing an economic model on low wages is the antithesis of this goal. Latin American countries must

seek to rebuild state capacity in order to invest in human resources and thus promote employment and higher skill, higher wage production. Higher levels of employment and skill in turn would facilitate the organization of subordinate classes and could set in motion a virtuous cycle of political mobilization in support of reformist political movements, strengthened formal democracy, and social democratic policies that would enable ever larger sectors of the population to make effective use of their political, civil, and social rights.

## NOTES

1. Dietrich Rueschemeyer, Evelyne Huber Stephens, and John D. Stephens, *Capitalist Development and Democracy* (Chicago: University of Chicago Press, 1992), p. 10. The change in the order in which our names appear here is due exclusively to the name change of one of the coauthors; the order remains alphabetical and does not represent any statement about our relative contributions.

2. The existence of political systems that fall short of full formal democracy has led to the proliferation of what Collier and Mahon call secondary radial categories of democracy. For instance, O'Donnell coined the concept of delegative democracy for systems that are particularly weak in the third dimension but also deficient in the fourth dimension. David Collier and James E. Mahon, "Conceptual 'Stretching' Revisited," *American Political Science Review*, 87 (December 1993), 845–55; Guillermo O'Donnell, "Delegative Democracy," *Journal of Democracy*, 5 (January 1994), 55–69.

3. Our view of participatory democracy is instrumentalist, or processual. We claim that it is valuable, not because of its psychological effects on the participating citizenry (though it may be), but rather because it prevents rule by privileged minorities and promotes equal representation of interests and redistributive economic and social policies. Whereas the level of participation and differences in participation rates across social categories are analytically distinct, they are empirically related; where participation rates are low, differences among social categories tend to be high, with lower socioeconomic groups participating less.

4. In Collier and Mahon's terminology, we are treating participatory and social democracy as secondary classical categories in that we add defining elements to the primary category of formal democracy.

5. "Social democratic" will be used here in this sense, as the designation of policies that effectively advance social and economic equality; the term does not refer specifically to the (European) political movement bearing the same name. For a similar usage, see Luiz Carlos Bresser Pereira, José Maria Maravall, and Adam Przeworski, *Economic Reforms in New Democracies* (New York: Cambridge University Press, 1993).

6. O'Donnell, "Delegative Democracy."

7. Rueschemeyer, Stephens, and Stephens; for a summary, see Evelyne Huber, Dietrich Rueschemeyer, and John D. Stephens, "The Impact of Economic Development on Democracy," *Journal of Economic Perspectives*, 7 (1993), 71–85.

8. John D. Stephens, *The Transition from Capitalism to Socialism* (Urbana: University of Illinois Press, 1979); Evelyne Huber Stephens and John D. Stephens, "The Labor Movement, Political Power, and Workers' Participation in Western Europe," *Political Power and Social Theory*, 3 (1982); Walter Korpi, *The Democratic Class Struggle* (London: Routledge and Kegan Paul, 1983); Gøsta Esping-Andersen, *Politics against Markets* (Princeton: Princeton University Press, 1985). Korpi refers to the "power resources" approach. We add "class" to indicate the class analytic base of the theory.

9. Walter Korpi, "Power, Politics, and State Autonomy in the Development of Social Citizenship,"

*American Sociological Review*, 54 (1989), 309–29; Gøsta Esping-Andersen, *The Three Worlds of Welfare Capitalism* (Princeton: Princeton University Press, 1990); Evelyne Huber, Charles Ragin, and John D. Stephens, “Social Democracy, Christian Democracy, Constitutional Structure and the Welfare State,” *American Journal of Sociology*, 99 (1993), 711–49; Evelyne Huber and John D. Stephens, “Political Power and Gender in the Making of the Social Democratic Service State,” paper prepared for delivery at the meetings of the American Political Science Association, San Francisco, September 1996; Evelyne Huber and John D. Stephens, “Political Parties and Public Pensions,” *Acta Sociologica*, 36 (1993), 309–25.

10. For example, see David Cameron, “Social Democracy, Corporatism, Labour Quiescence, and Representation of Economic Interest in Advanced Capitalist Society,” in John Goldthorpe, ed., *Order and Conflict in Contemporary Capitalism* (Oxford: Clarendon Press, 1984), 143–78; Stephens and Stephens, “The Labor Movement”; Douglas A. Hibbs, “Political Parties and Macro-economic Policy,” *American Political Science Review*, 71 (1978).

11. Peter Lange and Geoffrey Garrett, “The Politics of Growth,” *Journal of Politics*, 47 (1985), 792–827; Geoffrey Garrett and Peter Lange, “Political Responses to Interdependence,” *International Organization*, 45 (1991), 539–64.

12. For example, see Harry Eckstein, *A Theory of Stable Democracy* (Princeton: Center of International Studies, Princeton University, 1961); Sidney Verba, Norman Nie, and Jae-on Kim, *Participation and Political Equality* (New York: Cambridge University Press, 1978); Russell J. Dalton, *Citizen Politics* (Chatham: Chatham House, 1996).

13. Hugh Heclo, *Modern Social Politics in Britain and Sweden* (New Haven: Yale University Press, 1974); Ann Orloff, *The Politics of Pensions* (Madison: University of Wisconsin Press, 1993); Theda Skocpol, *Protecting Soldiers and Mothers* (Cambridge, Mass.: Harvard University Press, 1992); Harold Wilensky, *The “New Corporatism,” Centralization, and the Welfare State* (Beverly Hills: Sage, 1976).

14. Peter Katzenstein, *Small States in World Markets* (Ithaca: Cornell University Press, 1985); Dani Rodrik, “International Trade and Big Government,” paper to be included in the *Festschrift* in honor of Peter B. Kenen, edited by Benjamin J. Cohen, shows that the positive relationship between trade openness and government expenditures on education, subsidies, social security and welfare, and public investment holds for a larger sample than the OECD countries.

15. Evelyne Huber and John D. Stephens, “Internationalization and the Social Democratic Model,” *Comparative Political Studies* (forthcoming).

16. See, for example, the essays in Scott Mainwaring, Guillermo O’Donnell, and J. Samuel Valenzuela, eds., *Issues in Democratic Consolidation* (Notre Dame: University of Notre Dame Press, 1992).

17. For example, Philippe Schmitter, “Consolidation and Interest Systems,” in Larry Diamond and Gary Marks, eds., *Comparative Perspectives on Democracy*, 35 (March–June 1992).

18. For example, J. Samuel Valenzuela, “Democratic Consolidation in Post-Transitional Settings,” in Mainwaring, O’Donnell, and Valenzuela, eds.

19. Guillermo O’Donnell, “Illusions about Consolidation,” *Journal of Democracy*, 7 (April 1996), 34–51.

20. O’Donnell, “Delegative Democracy.”

21. O’Donnell, “Illusions.”

22. Guillermo O’Donnell and Philippe Schmitter, *Transitions from Authoritarian Rule: Tentative Conclusions about Uncertain Democracies* (Baltimore: The Johns Hopkins University Press, 1986); Alfred C. Stepan, *Rethinking Military Politics* (Princeton: Princeton University Press, 1988); Scott Mainwaring, “Transitions to Democracy and Democratic Consolidation,” in Mainwaring, O’Donnell, and Valenzuela, eds.; Stephan Haggard and Robert Kaufman, *The Political Economy of Democratic Transitions* (Princeton: Princeton University Press, 1995).

23. The Chilean protests of 1983 demonstrate that, where unity prevailed within the authoritarian regime and political parties failed to provide coherent leadership for regime change, even very intense popular protests remained unsuccessful. Manuel Antonio Garretón, "Popular Mobilization and the Military Regime in Chile," in Susan Eckstein, ed., *Power and Popular Protest* (Berkeley: University of California Press, 1989). Among the successful transitions, the degree to which authoritarian rulers left their imprint on the emerging political system varied considerably. See Terry Karl, "Dilemmas of Democratization in Latin America," *Comparative Politics*, 23 (October 1990), 1–22; and Terry Karl and Philippe C. Schmitter, "Modes of Transition in Latin America, Southern and Eastern Europe," *International Social Science Journal*, 128 (May 1991), 269–84.

24. See, for example, Jane Jaquette, *The Women's Movement in Latin America*, 2nd ed. (Boulder: Westview Press, 1994).

25. Rueschemeyer, Stephens, and Stephens, pp. 62–63, 282–83.

26. Here the difference between the transition and consolidation (or survival) phases is apparent. The balance of low pressure and extremely low threat perception would be conducive, not to regime change, but to democratic survival.

27. O'Donnell and Schmitter, *Transitions*; Adam Przeworski, "The Games of Transition," in Mainwaring, O'Donnell, and Valenzuela, eds.

28. For a comprehensive treatment of international influences on democratization, including economic, imperial, ideological, and domino factors, see Paul W. Drake, "The International Causes of Democratization, 1947–1990," in Paul W. Drake and Matthew McCubbins, eds., *The Origins of Liberty* (forthcoming).

29. Verba, Nye, and Kim, *Participation*.

30. Of course, Jamaica is not a new democracy, but it underwent the same dynamics and consequences as far as this point is concerned.

31. Jonathan Fox, "The Difficult Transition from Clientelism to Citizenship," *World Politics*, 46 (January 1994), 151–84.

32. Neoliberal reforms have weakened unions mainly by shrinking employment in traditionally well organized sectors, mainly manufacturing and the public sector.

33. Mexico is not (yet) a new democracy, but the lessons from its economic policies are instructive.

34. Alvaro Diaz, "Restructuring and the New Working Classes in Chile," Discussion Paper 47 (Geneva: United Nations Research Institute for Social Development, 1993); John Sheahan, *Conflict and Change in Mexican Economic Strategy* (La Jolla: University of California, San Diego, Center for U.S.-Mexican Studies, 1991).

35. Diaz, "Restructuring"; ECLAC, *Social Panorama of Latin America 1994* (Santiago: United Nations Economic Commission for Latin America and the Caribbean, 1994).

36. Evelyne Huber, "Options for Social Policy in Latin America," in Gøsta Esping-Andersen, ed., *Welfare States in Transition* (London: Sage, 1996); Huber and Stephens, "Internationalization."

37. Cf. Bresser Pereira, Maravall, and Przeworski, *Economic Reforms*.