

CURRENT HISTORY

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“If governments and the international community learn from and act on the lessons of 2006, the hope of a stable, developed, and thriving region will be much closer to becoming a reality. . . .”

The Year of the Ballot

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Between December 2005 and December 2006, 11 Latin American countries held presidential elections. In addition to the two most populous nations of Brazil and Mexico, Colombia, Peru, Venezuela, Chile, Bolivia, Ecuador, Haiti, Costa Rica, and Nicaragua chose new leaders or reelected incumbents. Argentina was the only large country without an election in 2006 (it will have one in October 2007). Altogether, 80 percent of the Latin American population went to the polls last year. In fact, 2006 marked the first time in history that so many nations in the region held elections in the same year.

In most countries, the institutions of democracy remain fragile nevertheless. With Hugo Chávez's December 3 reelection in Venezuela closing out the electoral season, Latin American democracies today are sailing out to an uncertain future. In recent years, three South American countries (Argentina, Bolivia, and Ecuador) have had their presidents abruptly forced out of office. Odds are that some of the leaders elected in 2006 will eventually face similar situations.

Fortunately, however, there are five lessons from the electoral experiences of the past year that, if they are absorbed, should help consolidate Latin America's democracies. First, the election results indicate there is still hope for the embattled neoliberal model in the region. Second, the demand for broader inclusion remains very strong. Thus, third, social spending does matter. Fourth, there cannot be stable democracy without an accountable, open, and competitive political party system. And fifth, the left remains very potent in Latin America. If

democracy is to fulfill the high expectations associated with it and gain full consolidation as the only game in town, strong and accountable left-wing parties must be accommodated.

THE DEMOCRATIC FIESTA

Incumbent governments could hardly have found a more convenient time to face elections. Latin America experienced its fourth consecutive year of economic growth in 2006. Between 1995 and 2003, the region's economies grew by an annual average of 2.2 percent. In 2004, its economic output increased by 5.7 percent. According to the International Monetary Fund, growth in 2005 was 4.4 percent, despite much lower figures for Brazil (2.3 percent) and Mexico (3 percent). The IMF estimates growth for 2006 at 4.8 percent, with Mexico (4.4 percent) and Brazil (3.2 percent) again underperforming. In a region where economic performance in the past 25 years has been mediocre at best, the 2004–2006 period was a notable exception.

The 2006 “democratic fiesta,” as elections are referred to in the region, is also notable for the widespread respect shown for electoral results and the accompanying consolidation of independent and autonomous election oversight institutions. A number of races were extremely close, but with the exception of Mexico, all the losing candidates accepted defeat.

Costa Rica's election was decided by a razor-thin margin of 0.3 percent. Still, defeated candidate Otton Solís accepted the results, and Oscar Arias, the social democrat and Nobel Peace Prize laureate who governed from 1986 to 1990, was sworn in as president. In Peru, the first-round election also produced a very close result for the runner-up. Christian Democrat Lourdes Flores came in 0.5 percent behind the former left-wing populist president Alan García (1985–1990). After a partial

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recount, García was declared the winner and went on to win the presidency in a June 4 runoff.

Mexico was the only country where official results were disputed. The losing candidate, leftist former Mexico City Mayor Andrés Manuel López Obrador, made accusations of fraud. Legislators with López Obrador's Party of the Democratic Revolution (PRD) staunchly opposed the swearing-in of the election winner, a conservative National Action Party (PAN) politician, thereby threatening the stability of Mexico's democracy. Fortunately, Felipe Calderón managed to be sworn in and assumed power on December 2.

Today, democratic elections in Latin America are better organized, more transparent, and more legitimate than when transitions to democracy first began in the 1980s and 1990s. Though under attack by the resurgence of populist politicians, representative democracy continues to be the mechanism of choice for selecting leaders in the region.

The table on this page shows the 15 presidential elections (counting runoffs) in 11 different Latin American countries. Based on their self-identification, candidates can be classified on a right-left continuum. Naturally, these self-

definitions might be considered simplistic, but they allow for an understandable classification. As shown, leftist candidates tended to do better than right-wing candidates in 2006.

As the table on page 53 shows, incumbent candidates and parties also did fairly well. In six countries, the incumbent candidate—or the candidate from the incumbent party—won. In three other cases, the outgoing president had no candidate to support. Thus, only two incumbent parties were defeated. The scandal-ridden Social Christian Party in Costa Rica and the weak centrist Alliance for the Republic in Nicaragua lost. The respectable economic performance of most countries helped incumbents retain power. But incumbency strength should also be understood as an endorsement of the policies implemented by the outgoing leaders—for the most part committed to free trade.

We believe Latin American democracies will consolidate if they adequately react to the five lessons that the 2006 election season underscored. Learning from political experience could help publics and elites better understand the hurdles that newly elected leaders will face as they seek to fulfill their campaign promises and take on the

2006 Presidential Election Results in Latin America

Country	Election date	Leading right-wing candidate vote %	Leading left-wing candidate vote %	Other candidates' vote %	Turnout (% of registered voters)
Bolivia	Dec. 18, 2005	28.6	53.7*	17.7	84.5
Chile	Dec. 11, 2005	25.4	46.0	28.6	84.5
Chile runoff	Jan. 15, 2006	46.5	53.5*	—	87.7
Costa Rica	Feb. 5, 2006	3.5	40.9*	55.6	65.2
Haiti	Feb. 7, 2006	12.4	51.2*	36.4	59.3
Colombia	May 28, 2006	62.3*	22.0	15.7	45.1
Peru	April 9, 2006	30.6	23.8	45.6	88.7
Peru runoff	June 4, 2006	52.6*	47.4	—	87.7
Mexico	July 2, 2006	36.4*	35.3	28.3	58.9
Brazil	Oct. 1, 2006	41.6	48.6	9.2	81.0
Brazil runoff	Oct. 29, 2006	39.2	60.8*	—	81.0
Nicaragua	Nov. 7, 2006	29.0	38.1*	32.9	61.2
Ecuador	Oct. 15, 2006	26.8	22.8	50.4	72.2
Ecuador runoff	Nov. 26, 2006	43.3	56.7*	—	75.5
Venezuela	Dec. 3, 2006	36.9	62.9*	0.2	74.9

* Election winner.

Recent Economic Growth and Ideological Positioning of Outgoing and Incoming Presidents in Latin America

Country	2005 GDP Growth %	2006 GDP Growth %	Previous President	New President
Bolivia	4.1	4.1	Eduardo Rodriguez, not elected	Evo Morales, left
Chile	6.3	5.2	Ricardo Lagos, moderate left	Michelle Bachelet, moderate left*
Costa Rica	5.9	6.5	Abel Pacheco, moderate right	Oscar Arias, moderate left
Haiti	1.8	2.5	Boniface Alexandre, not elected	René Préval, moderate left*
Colombia	5.2	5.2	Alvaro Uribe, right	Alvaro Uribe, right*
Peru	6.4	6.5	Alejandro Toledo, center	Alan García, moderate left
Mexico	3.0	4.4	Vicente Fox, moderate right	Felipe Calderón, moderate right*
Brazil	2.3	3.2	Lula da Silva, moderate left	Lula da Silva, moderate left*
Nicaragua	4.0	3.7	Enrique Bolaños, moderate right	Daniel Ortega, left
Ecuador	4.7	4.4	Alfredo Palacio, moderate left	Rafael Correa, left
Venezuela	9.3	7.5	Hugo Chávez, left	Hugo Chávez, left*

* Incumbent candidate/party reelected. Source for economic data: IMF, "Regional Economic Outlook: November 2006"

challenges that have proved too difficult for past leaders in the region to overcome.

NEOLIBERALISM LIVES

The first lesson to draw from the past year's elections is that there is still hope for the beleaguered neoliberal economic model in Latin America. Candidates who advocate policies such as supporting free trade, attracting foreign investment, promoting privatization, and balancing the budget are not certain electoral losers. In fact, they often win, albeit by slim margins. Many Latin American voters—in some cases solid majorities—continue to support neoliberal economic policies.

In Chile, Michelle Bachelet, a socialist who pledged to continue the neoliberal policies promoted by her left-wing predecessor Ricardo Lagos, won in a runoff to become that country's first woman president. Although her election represented a radical change in terms of gender, it constituted a strong signal of continuity in terms of economic policies.

In Peru, although the most free-market-friendly candidate (Flores) ended up third in the first round,

the new president has advocated the adoption of several free-market economic policies, including a free trade agreement with the United States. Drawing on Peru's historic strains with Chile, García campaigned on a promise to embrace the same aggressive pursuit of foreign markets as Chile has, in order to defeat Chile as the economic leader of South America's Pacific Rim. The anti-globalization candidate, nationalist and populist Ollanta Humala, lost. He turned out to be more a candidate of frustration than of hope. Hope in Peru was associated with García's partial embrace of neoliberal policies.

In Mexico, the candidate most closely associated with neoliberal policies came from behind to rob the anti-globalization candidate of an expected electoral victory. Calderón's strong defense of neoliberalism was comparable only to that of Alvaro Uribe, the incumbent president of Colombia, who easily won reelection. In Costa Rica, Arias won despite having promised to ratify the Central American Free Trade Agreement (CAFTA) with the United States. Solís, the anti-globalization candidate, failed to transform his opposition into a successful electoral appeal.

In Brazil, although President Luiz Inácio Lula Da Silva has not been a committed champion of neoliberal policies, the opposition candidate did not promise to implement radically different policies. At a snail's pace, all Brazilian politicians are embracing neoliberal policies and implementing reforms consistent with the so-called Washington Consensus. The recently reelected Lula put it bluntly in a December 12, 2006, interview: "It's a question of how much gray hair you have. If you're on the right you move a bit toward the center, and whoever belongs to the left gradually becomes a social democrat. . . . And there's no other possible explanation: if you know a very adult person who considers himself belonging to the left, it's because he has problems. If you know a young person on the right, he has problems."

In Bolivia, Venezuela, Nicaragua, and Ecuador, the winning candidates last year were self-declared opponents of neoliberalism. But President Rafael Correa of Ecuador has promised not to reverse the dollarization of that country's economy. In Nicaragua, the victorious former president Daniel Ortega actively catered to foreign investors, so badly needed by his country's ailing economy. In addition to Venezuela's Chávez, who has emerged as the region's champion of anti-neoliberalism, Bolivian President Evo Morales has gone furthest in expanding the state into the private sector. Yet, as also happens to be the case in Venezuela, the state in Bolivia historically has had limited capacity to provide social services. Thus, not all efforts by Morales to strengthen state capacity should automatically be associated with an unjustified preference for bureaucratic employment. Even ardent neoliberals believe there must be a state capable of providing some public services.

Several newly elected Latin American presidents have publicly expressed their discontent with neoliberal policies, but we should consider more the policies they implement than the speeches they give at regional summits and improvised press conferences. Candidates might claim they dislike free trade initiatives, as García did in Peru, or oppose the dollarization of the economy, as Correa did in Ecuador, but when pressed to spell out specific policies they are far more conciliatory and stop short of reversing neoliberal initiatives. And, as the case of Chile's "socialist neoliberalism" (a social free

market economy, as they call it) best exemplifies, policies implemented do not necessarily coincide with rhetoric used in election campaigns and even in government.

THE "LEFT-OUTS" WANT IN

The second lesson made clear by the election results is the continued popular demand for social inclusion. Latin America's historically obstinate levels of inequality are often ignored by policy makers, who tend to pay necessary but excessive attention to absolute levels of economic growth. As Latin America has enjoyed a good run of economic expansion in recent years, the persistent levels of inequality have resurfaced as a colossal, unmet challenge.

Thus, candidates who look like and share the experiences of the majority of the population tend to do better than those who are members of the elite or have a difficult time connecting with the electorate on a personal level. There are also implications for governance. Bachelet's election in Chile, for example, can be explained by the correct mix of continuity in economic policies and change in the means of governing.

Chile has transitioned from a male, top-down, technocratic approach to politics to a more inclusive, bottom-up approach, with a more personal touch. A pediatrician by training, Bachelet often explained during her campaign that no medical treatment could be successful without fully incorporating the patients into the process. Her focus on building a stronger civil society and facilitating mechanisms for popular participation reflects her success at combining continuity in policies with a more inclusive strategy for pursuing them.

Although it is often confused with populism, social inclusion is a welcome result of a well-functioning democracy. People want to elect others who look like them, share their experiences, or at least can relate to their own lives. Elitist agreements in support of democracy that were ratified and implemented with a top-down approach have been replaced across Latin America by demands to take broader social concerns into consideration. Voters want to have not only a vote but also a say in what type of candidates make it onto the ballots and win elections.

In a region where populism has always threatened stability, a message of social inclusion remains fertile ground for populist candidates. But populism

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should be seen as itself a symptom of social exclusion. Countries where social exclusion has been poorly addressed tend to see the emergence of more successful populist leaders. Whereas populism has not emerged in Costa Rica or Chile, for example, populist candidates have been successful in Peru, Venezuela, and Ecuador. Countries that have made progress on social inclusion have also seen the appeal of populist leaders dramatically reduced. Even in Mexico, where inequality remains a big problem, López Obrador's populist rhetoric won him only 35 percent of the vote. Populist appeals do not automatically make for election winners.

Yet it is easier for populists to win if the alternative candidate belongs to the landed traditional oligarchy. Personal background matters. For example, had the right-wing candidate in Mexico been a member of the oligarchy (as right-wing candidates in Brazil, Chile, and Ecuador were), he would have found it more difficult to win. The fact that Calderón is a mestizo with a convincing middle-class background helped him symbolically embody the message of social inclusion. Correa, the left-wing candidate in Ecuador, won in part because he was closer to the people than was his opponent, Alvaro Noboa, a banana entrepreneur, free-market advocate, and Ecuador's wealthiest man. Had Correa, a mestizo-looking former economics professor, been the advocate of free-market policies, he still could have won his election campaigning as the people's candidate against the candidate of the elites.

Because of the effect of mass media, representative democracy in societies marked by historical patterns of exclusion will tend to produce leaders who are much more personally identified with the ethnic and social makeup of the majority of their national populations. In industrialized democracies, candidates who are closer and more connected to the people have an unquestionable advantage in electoral campaigns. Thus, it will be more common to see candidates like Morales (who is ethnically and socially representative of the majority of Bolivians) than candidates like Gonzalo Sánchez de Losada (who belongs to the social and economic elite and does not share the ethnic background of most Bolivians) in future elections in the region.

FIGHTING POVERTY WINS VOTES

The third lesson that Latin American democracies need to heed is that social programs matter. Candidates from parties and coalitions that have implemented effective social programs—usually targeted at the poor by subsidizing demand—do

better than candidates who promote trickle-down economics. Rather than the old, inefficient practice of subsidizing gas, utilities, or tortilla prices for all, programs that subsidize demand make gas, utilities, or tortillas cheaper only for those with lower incomes. While a trickle-down approach concentrates exclusively on generating employment through economic growth, a sound demand-driven subsidy uses state resources to help level the playing field in favor of those at the bottom end of the income distribution. Targeted social programs implemented effectively and efficiently are rewarded in Latin America with large shares of votes.

The Bolsa Familia program in Brazil, for instance, was partially responsible for Lula's reelection victory. The program, aimed at subsidizing the poorest Brazilian families, allowed Lula to cultivate a strong electoral base in the impoverished northeast. Whereas Lula cruised to victory in 2002 with strong support from the industrial south, in 2006 it was the impoverished *nordeste* that made the difference. In Mexico, the Progres-a-Oportunidades program housed at the Social Development Ministry has been markedly successful at assigning earmarked spending in education, health, and nutrition to the poorest families. Similar programs in Chile and Colombia have helped incumbent parties and coalitions build electoral support among the marginalized poor.

Most countries in Latin America have replaced broad supply-side price supports with demand-side subsidies targeted at the poorest quintiles of their population. Yet only those countries where there is sufficient state capacity to implement such programs have seen significant poverty reduction and improvements in quality of life. In countries where there is more limited state capacity, like Peru or Ecuador, the elimination of supply-side subsidies has actually ended up hurting the poor. This is especially true among the unorganized poor. Thus, without appropriate state capacity, countries lacking sufficient social networks (such as political parties, labor unions, or neighborhood organizations) find it difficult to implement social programs targeted at helping exclusively the poor.

In Venezuela, a country with limited state capacity, President Chávez has developed a parallel state through the so-called *misiones*, initiatives aimed at bringing social services to the poor. Because the state bureaucracy is still overcrowded with machine politicians from the ancient two-party regime, Chávez has implemented a model inspired by the Cuban Revolution to bring social

services—and state presence—to impoverished urban and rural communities. Not surprisingly, Chávez's confident electoral campaign was built on the premise that the overwhelming majority of Venezuela's poor would turn out to vote for his reelection. According to the most recent report by the Latin American and Caribbean Economic Commission—based on disputed government figures—poverty in Venezuela fell from 49.4 percent in 1999 to 37.1 percent in 2005. Extreme poverty declined from 21.7 percent to 15.9 percent in the same period. There are reasons to believe figures have been tampered with to hide a more mediocre performance in poverty reduction. But there is no doubt that Chávez has built strong support among the poor even with mediocre poverty-reduction initiatives.

Countries without the appropriate state capacity have failed to build successful social programs. Despite the strong economic growth observed in Peru since 2000, poverty actually increased from 48.6 percent to 51.1 percent between 1999 and 2004. Although extreme poverty decreased from 22.4 percent to 18.9 percent during the same period, the inability of the state to effectively use its resources to help alleviate poverty might help explain the emergence of strong populist candidates. They have capitalized on the frustration of a large segment of Peruvians who can see economic growth benefit others while excluding them.

PARTIES ARE CENTRAL

The fourth lesson from electoral experience is that the political party system matters. Countries with stronger, more established political party systems tend to have more legitimate elections. Because there are rules that can strengthen the party system and make it more transparent, Latin American countries should focus on institutional design. Competitive and accountable party systems are not the automatic result of democracy. In fact, as the 2006 elections showed, several Latin American countries, such as Colombia, Venezuela, and Costa Rica, have seen their traditionally strong party systems deteriorate. In other countries, like Mexico and Brazil, existing parties have grown stronger but are less accountable. In several countries, a *partidocracia* (political party oligopoly) has weakened and restricted democracy.

Political parties often enjoy such a negative standing that many presidential candidates seek to distance themselves from parties. We tend to see candidates trying to highlight their personal qualities and minimize their links with political parties. Often, independent candidates find it easier to build reform and anti-corruption platforms precisely because they are not identified with parties. Even worse, some aspirants are dissuaded from running for office precisely because they cannot manage the intricate and sometimes corrupt inner workings of the political party apparatus.

The Latin American electorate often welcomes outsiders as candidates. True, in some cases outsiders find it much more difficult, or even impossible, to run on a playing field tilted in favor of candidates nominated by political parties. But the popularity of outsiders—as well as the efforts by insiders to portray themselves as outsiders—reflects a profound structural problem with the quality and reputation of the political party system.

The role of political parties in societies can be compared to that of hospitals. Whereas one would prefer to interact little with hospitals and

physicians, we expect them to be good, transparent, efficient, and honest. Societies cannot function well without hospitals. But underperforming, inefficient, corrupt, and self-serving hospitals will also end up hurting countries. The same can be said of political parties and politicians.

In democratic institutional design, one size does not fit all. In fact, the party system is often endogenous to the country's history and past political developments. Yet some institutional features in general can be adopted to strengthen party systems and to make them more transparent. Social, ethnic, historical, and even religious cleavages can explain the emergence and survival of different party systems. Historically informed institutional engineering can help foster the stability of a party system and encourage cooperation among existing parties.

A reasonable institutional design should not attempt to create a new and different party system. Instead, a fine-tuning approach should be adopted to implement changes that will help existing parties become more accountable, responsive, and prone to form stable coalitions. In particular, presidents who command minority support in the legislature must be able to form coalitions that

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will allow them to build legislative majorities to advance their agendas. Institutional changes can help promote coalition formation and stability. In addition to reducing the number of seats in every district (Brazil's state of São Paulo constitutes a single electoral district with 70 members elected to the Chamber of Deputies), holding presidential elections concurrently with legislative elections (which still does not happen in several Central American countries and in Colombia and Venezuela) should be the norm. Because the public pays more attention to presidential than to legislative elections, when they are held concurrently, presidential candidates can earn the loyalty of candidates for congress who want to associate themselves with popular presidential aspirants. Concurrent elections promote party discipline and thus help strengthen the party system.

Also, institutional features that foster transparency and accountability must be introduced. Political parties tend to legislate to make it difficult for other parties to enter the electoral arena (most notably in Mexico), thus consolidating a party oligopoly. Parties are also prone to favor increased public funds for electoral campaigns, while opposing increased transparency in how private funds are obtained and how all funds are spent. Moreover, parties strive to restrict access to funds for challengers who are not part of the party oligopoly. Reforms that foster more competition among existing parties and lower entry barriers for new parties will help strengthen the party system. A more competitive party system on a more level playing field will increase the legitimacy of democracy, improve the quality of legislation passed, and make politicians more accountable to the electorate. When candidates do not run away from the parties in elections, democracy will be more consolidated.

THE LEFT IS HERE TO STAY

The fifth and final lesson of the 2006 election year is that, at the end of the day, the left is strong in Latin America. Left-wing parties did well, better than in the past, in all countries. Even in those countries where conservative candidates won presidential elections, as in Mexico and Colombia, left-wing parties did better than they had ever done before. In Mexico, the PRD garnered 30 percent of the votes and seats in the Chamber of Deputies, significantly higher than in the 2003 midterm election, and 35 percent of the presidential vote, twice what it got in 2000.

In Colombia, the presidential candidate of the Alternative Democratic Pole, Carlos Gaviria, obtained a surprisingly high 22 percent of the vote. His coalition had received only 8 percent of the vote in the parliamentary election held in March. Although this loose progressive coalition has yet to evolve into an institutional party, its electoral strength has helped the Colombian democratic left become a major player capable of challenging the historic two-party system in that country.

Some left-wing parties in the region are reformist. Others continue to embrace a failed economic model. Yet, because the left is strong, there is no sense in hoping it will never win. It makes more sense to help foster the renewal of responsible left-wing parties. Successful left-wing experiences should be promoted so that other left-wing parties can adapt them to their own national realities. The experience of Chile since the 1990s has already informed other left-wing parties. Ecuador's Correa, for example, has cited Chile as a model of what he intends to do to promote growth and reduce poverty. (He visited Chile shortly after being elected.)

Likewise, the policies of Lula in Brazil and Tabaré Vázquez in Uruguay have inspired pragmatic thinking among left-wing leaders in other countries. Because the left will likely continue to receive electoral support, fostering the growth of a moderate, growth-oriented, and democratic left should be an international priority.

DEMOCRACY TESTED

With good reason, many who have studied Latin America for a long time were overjoyed to see that the debate over political developments in the region in 2006 centered around ballots rather than bullets. It is a tremendous accomplishment for the region to see elections as the only legitimate political game in town. Yet we know that elections are the easy part of the democratic process. Democratic consolidation and stability take much more effort than holding a democratic election.

As newly elected governments in Latin America implement their policies and attempt to expand economic growth, reduce poverty, and tackle the deep inequalities that persist in their nations, the region's democratic structures will be put to a test. If governments and the international community learn from and act on the lessons of 2006, the hope of a stable, developed, and thriving region will be much closer to becoming a reality when Latin America's independence bicentennial is commemorated in 2010. ■