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## Uruguay’s Social Democratic Experiment

JORGE LANZARO

At the dawn of the twenty-first century, a historic change took place in Latin America. Through democratic elections, left-leaning governments were established in a large group of countries (Argentina, Bolivia, Brazil, Chile, Ecuador, El Salvador, Nicaragua, Paraguay, Peru, Venezuela, and Uruguay). Even if this turn to the left has the nature of a “wave,” the governments that are part of it show a marked diversity. Among them, the new populists (Venezuela, Bolivia, Ecuador) stand out, as well as the Kirchners (Néstor and then his widow, Cristina), in Argentina, who offered a progressive version of the versatile Peronist movement. These governments have their peculiarities, no doubt, but they are rooted in the old trunk of populism, which has been a recurrent political phenomenon in Latin America during different historical stages and with different ideological leanings, from left to right.

At the same time, this period has seen a great innovation: the debut of social democratic governments in three South American countries. These have included, in Brazil, the two presidential terms of Luiz Inácio Lula da Silva (2003–11), followed by Dilma Rousseff; in Chile, Ricardo Lagos (president from 2000 to 2006) and Michelle Bachelet (2006–10), who won a new term in a late-2013 election and returns to office in March, succeeding the center-right government of Sebastián Piñera; and in Uruguay, the presidency of Tabaré Vázquez (2005–10), followed by José Mujica and probably by another Vázquez term to come.

These experiences are indeed the first of their kind in the region, if we define social democratic governments according to their specific political nature. In this sense, social democratic govern-

ments are those made up of socialist parties that have kinship with the labor movement. However, these parties have undergone processes of change and replaced their revolutionary ideologies with moderate but effective reformism. They have done so as a result of political strategies and electoral options that they have adopted acting within the framework of competitive and relatively institutionalized party systems. Uruguay’s experience in particular exemplifies this trend.

### INSTITUTIONAL LEFT

What sets apart social democratic governments, and for this reason marks a basic distinction in the current Latin American map, is that they are led by an “institutional left,” which possesses two main characteristics. The first is the degree of institutionalization, the longevity, and the political experience that the leftist parties in government have achieved on their own. Second is the crucial fact that such parties are integrated into electoral competition and representative democracy, within pluralistic and (more or less) stable party systems.

In the spectrum from populist to social democratic varieties, we can find left-leaning governments without parties and others with parties, which operate in strong or weak (if not crumbling) party systems, with varied degrees of effective competition. There are important differences in the presidential system, the institutional checks and balances, and the quality of democracy. There may be competitive democracies in social democratic settings, or, in the populist context, uncompetitive electoral democracies, if not varieties of electoral authoritarianism (“elective despotism,” in the words of Thomas Jefferson).

Leftist parties that follow the social democratic path abandon the ambition to carry out in-depth transformation of capitalist society. Influenced

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by political competition and opting for the “electoral path,” they accept the rules of representative democracy and the market economy. Such an attitude entails the acceptance of capitalism and, at the same time, an effective but moderate reformist will. In principle, this allows for continuity with regard to the existing order in these societies and the neoliberal paradigm that swept the region in the 1990s. One could therefore argue that in these cases a “policy regime” is settled. That is, the main parties—regardless of ideological inclination—adopt a similar pragmatism that is accepted by the political elite, either willingly or with resignation, thanks to the prevailing conditions and electoral calculations.

However, the same inter- and intraparty competition that makes these left-wing governments moderate at the same time drives them to cultivate a “logic of difference” that follows their ideological leanings. Thus they tend toward innovations in economic, social, and political development. They may pursue aims of social and political inclusion, human rights, and democratic progress.

The Latin American social democracies present the characteristics of their “peripheral” nature and of the times in which they exist, but they can be compared with the classic benchmark of Northern Europe and especially with the “late” social democracies established in Southern Europe during the last quarter of the twentieth century, in particular those of Spain, Portugal, and Greece. Like the contemporary Latin American examples, the social democratic governments of these three countries were established in the course of a “double” transition: after their respective democratic transitions and after their neoliberal economic turn.

### PROFITIOUS CONDITIONS

In 2005, the Uruguayan left made its debut in office under Vázquez's presidency at a moment of propitious political conditions for a social democratic experiment. It was favored by a cycle of strong economic growth, at an annual average rate of 6 percent. It also built on political and institutional legacies that gave Uruguay comparative advantages: Previous reforms had preserved, and even expanded, the “tool box” of government. The state had taken a central role in the development

model and the social policy regime that predominated from the beginning of the twentieth century under the influence of *batllismo*, a progressive current of the traditional Colorado Party. This evolutionary path led to the building of a renowned welfare state and left deep imprints in public policy, institutions, and civic culture.

Contrary to what happened in Chile under Augusto Pinochet's dictatorship, Uruguay developed a gradualist model. The cycle of pro-market reforms occurred in democratic times, through initiatives moderated by inter- and intraparty competition, with the unions and the political left as opposition forces. The 1990s reforms promoted the modernization of public services and enterprises but kept them in the hands of the state. Strategic sectors such as energy, telecommunications, banks, education, and social security were partially protected from privatization. As Uruguayan governments promoted reforms at odds with 1990s neoliberal orthodoxy, all of them agreed on the desirability of social policies designed to fight income inequality and poverty.

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### BROAD FRONT

In short, the triumph of the left culminated a gradual process of historic change within one of the world's oldest democracies. Through this process,

the *Frente Amplio* (Broad Front, or FA), which brings together practically the entire Uruguayan left, became the most powerful party. The stalwarts of the traditional two-party system (the Colorado Party and the National Party) continue to be competitive, but they no longer enjoy the dominant position that they had from the origins of Uruguay's political system in the mid-nineteenth century.

The FA was founded in 1971 as an alliance of the older leftist parties (the Socialists and the Communists), Christian Democrats, independent groups, and factions from the traditional parties. In the new democratic era beginning in 1984 after 11 years of military rule, this group of parties became a unified “coalition party.” The founding members coexist with new groups, forming a conglomerate that is greater than the sum of its parts and has built up an encompassing identity and tradition.

The FA achieved sustained electoral success, eventually winning a parliamentary majority.

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Thus, it was able to form a single-party government with the ability to approve laws, maintain presidential vetoes, and appoint high-rank officials. Also, the FA's average ideological distance to the opposition parties is rather moderate, which tends to reduce the costs of policy innovation. Under such conditions the FA government was productive, enacting the most laws since the return of democracy in 1985.

Vázquez's presidential leadership was fairly strong. His combined role as leader of both government and party put him above the FA's factions. The cabinet was the fulcrum of executive power. It operated as a collegial body, on a cooperative rather than competitive basis. The president allocated about half of the cabinet seats. The rest went to leaders of the FA factions, in a distribution based on parliamentary representation.

This amounted to a sort of cabinet government rather unusual in a presidential regime. It reflected the peculiar structure of the FA as a coalition-party, with a large number of parliamentary factions and a broad ideological spectrum. This structure encourages competition among and within the three faces of the government prism: executive power, parliament, and party. Various conflicts arose among these: A rebellion prevented Vázquez from signing a free trade agreement with the United States, and legislation decriminalizing abortion was approved in 2008 by FA members of Congress but vetoed by Vázquez.

The FA became an "amphibious" party, adopting some practices of the traditional parties once in power, but also keeping its roots in society. It remains a programmatic and ideologically cohesive party, positioned to the left of Vázquez and his cabinet, which gives it autonomy and influence in its relations with the government. Since 1990, the FA has governed Montevideo (the capital city, with more than 40 percent of the national electorate).

The FA historically has maintained a close relationship with labor unions—a fundamental linkage between the two pillars of the social democratic structure. The trade unions, which were important stakeholders in the restoration of democracy, suffered under the neoliberal economic transition in the 1990s, just like their counterparts in other Latin American countries, but developed defensive strategies. Dur-

ing this period, even though their membership declined and their bargaining power weakened, Uruguay's unions managed to preserve a central organization and rallied in opposition to pro-market reforms, especially through referendums on privatizations. They went to the plebiscite of the ballot box instead of insisting on the plebiscite of the streets: mass demonstrations, strikes, or other classic tools of class struggle. They also contributed their energies to the FA's political development and electoral growth.

### MODERATE REFORMISM

This kinship was reflected in the first FA government, which in 2005 included numerous members from union backgrounds. Accordingly, its policy agenda covered the interests of the working class (salary, labor regulation, measures against informal work, social security, health insurance, and so forth), gave real power to the unions, and reinforced their rights. Unions also gained influence through the restoration of tripartite labor councils (including unions, business, and government), as well as the inclusion of workers' representatives on the boards overseeing public education and social security.

The first FA government cultivated a moderate reformism in the pursuit of a social democratic agenda. Honoring its electoral promises, the government did not repeal an amnesty for human rights violations committed during the dictatorship, which had been ratified in a referendum. However, using a prerogative that this very law established, Vázquez issued instructions that allowed criminal proceedings against the military and two presidents of the former authoritarian regime.

Vázquez's administration took office four years after a 2001 economic crisis—at a time when the next cycle of prosperity had already begun. It assured continuity in macroeconomic policies and was committed to preserving stability, a steady exchange rate, and a low fiscal deficit. This discipline had good results, helping create conditions conducive to market dynamism, private investment, and foreign capital flows.

The Vázquez government also established a progressive tax on all types of personal incomes (above a non-taxable minimum), although there was a lack of progressivity with respect to higher

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incomes and the bulk of taxpayers are in the middle sectors. The progressive content of the reform was in the new balance between consumption taxes—which it reduced—and the personal income tax. Tax collection was strengthened and modernized, redoubling efforts of the previous government to improve efficiency.

In the field of social policy, too, the left has followed a path of moderate reformism, demonstrating innovation in some areas and continuity in others. Its new social policy included the 2005 launch of conditional cash-transfer programs similar to those established in other Latin American countries since the 1990s, followed by reform of the family allowances system, which existed in Uruguay since 1943. A renewal of the old Uruguayan welfare state began, with new programs enacted and social protections extended to vulnerable groups with low organizational capacity, combining universal benefits and targeted policies for families and children.

This priority has been reflected in a marked increase in social spending and antipoverty programs. Between 2004 and 2008, overall public expenditure increased each year by 30 percent in absolute terms. Public social expenditure (PSE) per capita went up, both in absolute and relative terms, for an accumulated increase of 41 percent during that period. This has put Uruguay's PSE above the average as a percentage of GDP in Latin America, which itself has been growing.

There have also been changes in the structure of PSE, which was historically concentrated in social security, exhibiting a marked pro-adult bias in the context of an aging population. Under the FA government, participation in social security declined 10 percent from the preceding period and attention to children greatly increased. Uruguay's children are a long-term strategic sector as human capital, and they have been afflicted by poverty and indigence, living in conditions that worsened dramatically after the 2001 economic crisis. The average amount spent on social assistance for children in the 2005–09 term practically doubled what was spent in 2000–04 and in previous years. This was a significant increase both as a proportion of overall social spending and in relation to GDP. Spending on education also increased, nearing the goal of 4.5 percent of GDP set by the FA.

In addition to important measures aimed at the development of science and technology, there have been other initiatives to invest in human

capital, especially for children. The star program has been the Ceibal Plan (named after the national tree), inspired by the international One Laptop per Child initiative, which seeks to provide universal early access to computers. Uruguay has been a pioneer in carrying out this democratizing initiative on a national scale.

These actions have enhanced the role of the state, both in policy making and in the direct provision of services. The pattern has been reinforced by the creation of several institutions, in particular the Ministry of Social Development, as a new form of centralized authority.

Such measures have resulted in democratic steps forward, since they promote not only political steering but also institutional development—allowing social provisions to reach beneficiaries on the basis of rights and via bureaucratic channels rather than through clientelistic linkages, as is the case in other Latin American leftist governments. The new programs have become settled as part of public life and subject to political controls, generally gaining acceptance from the opposition parties. Following the best Uruguayan traditions, social policies undergo a process of institutionalization that gives them a better chance of political sustainability.

## WAR ON POVERTY

The Social Emergency Plan (PANES) was the Vázquez government's flagship initiative. Similar to other programs in Latin America, PANES was a temporary policy targeted at people living in extreme poverty (more than 10 percent of the population). Its main component was the Citizen Income, a non-contributory monetary transfer for heads of household, along with complementary services such as food, health, housing, and job training. It was subject to certain conditions (children's school attendance, medical exams, community work), which were not properly monitored and had a low level of compliance.

In the first year of its application, these transfers decreased extreme poverty by half. However, because the program was targeted at the lowest deciles, it did not enable households receiving the assistance to rise above the poverty line.

Building on PANES is the "Equity Plan," a permanent program of social protection designed by the end of 2007. Like PANES, the Equity Plan centers on cash transfers, making new contributions to old-age pensions and especially to family allowances, which replaced the Citizen

Income. The family allowances were increased and extended in order to cover poor households with children under the age of 18. Moreover, family allowances can now be granted to unemployed people, as non-contributory transfers. This represents a significant shift from the historical Uruguayan system, which since 1943 has been a wage-earners benefit.

The National Health System, established by the FA government as an important piece of the Equity Plan, grants universal health insurance, which is financed through tax withholding from salaries and is provided by both public and private institutions. It includes some innovations in terms of financing and management. However, while it has increased coverage, it does not imply a significant augmentation of the public assistance system: It rather rests in large part on the private sector.

Basing the system on workers' tax contributions maintains social segmentation by excluding those who do not have access to employment in the formal sector, the majority of whom have to turn to free public assistance. But the new system extends health coverage considerably, including children up to the age of 18, as well as disabled individuals and other types of dependents.

Between 2004 and 2009 there was a large decline in poverty, by around 10 percentage points. Poverty decreased in all age categories, with young people and children experiencing particular improvement. Undoubtedly, the favorable economic cycle that lasted until 2008 was one important factor. However, it is reasonable to assume that social programs also played a part in this evolution, an important achievement of the social democratic government.

## LABOR TIES

The labor relations policy adopted by the Vázquez administration bore the clear stamp of the left and reinforced the privileged links among the FA government, the party, and the unions. The most noteworthy measure in this area, one of the first of the new presidency, was the reinstatement of tripartite salary councils—incorporating business, labor, and government—which institutionalize collective negotiations by sector to determine salaries and regulate labor relations.

The salary councils were instituted together with the family allowances in 1943, during the progressive era of *batllismo*, in order to deepen the economic model of import-substitution industrialization. The salary councils were temporarily reinstated in 1985, after the dictatorship, to promote the regularization of labor relations and the unions as part of the consolidation of democracy. The subsequent liberalization of labor relations led to the elimination of the councils, replacing them with decentralized and fragmentary negotiations. In this period the unions receded, taking refuge mainly in the public sector and the banking system. While their bargaining power in private-sector labor relations was weakened, they redirected their political capital into opposition to neoliberal reforms.

The restoration of the salary councils—going beyond their previous boundaries to include public employees and both rural and domestic workers—had effects comparable to those of the first era of the councils inaugurated in the 1940s. Now

as before, these institutions stimulate the formalization of work contracts and salary increases, as well as the development of unions.

Given the clear political support for trade unions, rising salaries—which are to a certain extent a conse-

quence of the economic boom—have also resulted from actions taken by the government. During the FA administration private salaries recovered year after year and by 2010 had climbed well above the 1998 level.

The councils also provided incentives for the consolidation of existing unions and the creation of new ones, as well as for union membership. By 2008, the number of union members practically doubled the number registered in 2003, reversing the fall that occurred between 1985 and 2003. At the same time, the status of the national labor federation as the sole central organization has been preserved and even reinforced, in contrast with Brazil and Chile, where union federations have multiplied.

These corporatist relations have neither suffocated the autonomy of the unions nor eliminated labor conflicts. They form part of a political bargain, in which the unions moderate their activities and offer critical support to a friendly government, in exchange for economic and political

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goods, power resources, and legal reforms. Unfortunately, the FA governments have not taken full advantage of such exchanges to establish political conditions linking union aims, in particular rising salaries, to results in economic competitiveness, productivity, and reform of public services.

### MUJICA'S TURN

The 2009 elections resulted in the second FA government. However, the FA's vote share dropped 2.5 percentage points compared with the 2004 election, and José Mujica won the presidency only in the second round. He took the helm of another single-party government, though one with a less comfortable parliament majority. The plural and competitive party system persisted, as did the FA's strength. Therefore, the conditions are in place for the social democratic experience to continue, albeit with some variations.

Such continuity could have been threatened by Mujica's populist style, based on his charisma, antiestablishment stances, and appeal to the poor. His appeal is strengthened by his conversational and unconventional, even bizarre, persona, as well as by his lineage as a member of the 1960s Tupamaros guerrilla movement—a revolutionary group whose actions were at cross-purposes with the political development in which the unions and the institutional left were engaged at that time.

However, the party system and the FA's internal balance of power do not favor any abrupt turn toward the radical left or populism. The competitive political structures have done their job, moderating once again the politicians' strategies. They induced the Tupamaros to act within the legal system and become members of the FA. They have also had a crucial moderating effect on Mujica, who proclaimed his support for democracy and his intention to continue the social democratic experience, ruling out revolutionary adventures. Nevertheless, within a general trend of continuity, some significant differences can be found between the first and the second FA governments.

Vázquez combined a strong presidential authority with his role as party leader, above the FA factions. The cabinet followed a cooperative pattern, under the president's firm command and the seniority of the Ministry of Economy. Mujica, by contrast, is just the head of one of the sectors into which the FA is divided. His political behav-

ior is changeable and zigzagging, and he presides over a cabinet that works in a competitive style. Disputes over economic policies and other issues abound, and the economy minister is continuously challenged by the Planning Office, which reports directly to the president.

The Mujica government keeps some continuity with its predecessor's general guidelines, including orthodoxy in macroeconomic policy. But it has pursued some innovations in strategic matters such as public security, infrastructure, mining, cultural policies, foreign affairs, and new regional policies. An initiative to diversify the energy system and reduce oil dependence has been adopted as a consensus policy, supported by all the parties. Unfortunately, in other crucial areas—such as education or state reforms—inertia and serious deficits of political will hinder progress. There have also been political failures, such as the national airline's bankruptcy.

Mujica's government is characterized by and internationally recognized for a turn toward progressive policies in the field of values and democratic rights. These reforms have been launched mostly by FA members of parliament, in some cases through compromises with other parties. They include decriminalization of abortion, programs against racial discrimination and domestic violence, and the legalization of gay marriage and cannabis in 2013.

If the second term of the left in Uruguay lives up to its promise, complementing the first term's performance, the country will have developed a signature social democratic experience in the global South. And it will have done so out of the European cradle and away from the Keynesian era, operating in a very different economic context in which the neoliberal paradigm still carries weight.

The Uruguayan experience, together with those of Brazil and Chile, entails the building up of a new generation of social democratic governments. As with the earlier generations of social democracy in Europe, this new movement aims to shape its own version of the balance between capitalism and pluralistic democracy. It frames market logic within the rule of politics and a renewal of the welfare state, in order to combine the requirements of economic progress with the principles of social equity and democratic development. ■