



# Progressive Governance in Perspective

*Ricardo Lagos, Former President of Chile*

**The progressive governance dialogues** began at the close of the 20th century after the fall of the Berlin Wall. The collapse of the Soviet system did not bring about the end of history, as some claimed. It did, however, inspire a fundamental rethinking among social democrats and progressives about how to approach a new world order characterized by globalization and the information technology revolution.

In parallel, an increasingly complex set of societal changes were also taking place; strict social classes, the nuclear family, and traditional gender roles were giving way to a more diverse postmodern society. In this context, it had become increasingly apparent that progressive politics needed to find fresh answers to both the new and the traditional challenges of our world.

The Third Way renewal of progressive politics that shaped these discussions sought to accept the strengths of some areas of the economy and understand the limits of others. The challenge was one of identifying how public policies could combine the capacities of the state, social groups, and civil society with those of market forces. This

“  
The  
progressive  
governance  
dialogues  
challenged  
traditional  
policy  
paradigms.  
”

entailed not only a new set of policies, but also a new way of doing progressive politics. And it was these challenges that gave rise to the first progressive governance meeting in Florence in 1999 and subsequent gatherings in Poznan (a small town near Berlin), Stockholm, London, and elsewhere. The discussions at these meetings were often characterized by an intense debate about how best to strengthen democratic institutions, stimulate higher growth, and improve social justice. This was progressivism in action.

During these discussions, we challenged traditional progressive policy paradigms. For example, German Chancellor Gerhard Schroeder's approach to innovation and change in labor relations was highly controversial. Liberalizing the labor market seemed counterintuitive to many. Yet Schroeder illustrated it was possible to do it in line with social democratic values. Through the policy of so-called flexicurity, his government helped workers adapt to changes in global competition by helping to support unemployed worker's income and providing better training to learn new skills and perform new tasks. These reforms have since been crucial to the success of the German economy.

Today in 2015, the world has changed enormously. The global economic crisis of 2008 has posed a significant challenge to progressive politics. This crisis raised profound questions about a neoliberal ideology that favored deregulation of the economy and allowed the financial system to self-regulate. Prior to the crisis, a wave of unbridled capitalism had swept across the globe. After the crisis, all political leaders—from President Bush to President Obama, from President Sarkozy to President Hollande, and from Prime Minister Brown to Prime Minister Cameron—rejected the idea of self-regulation in the financial markets.

The global economic crisis, like the fall of the Berlin Wall earlier, necessitates a deep reflection on the future of progressive politics. This single moment forced everyone to discuss how the international economic system was governed. It is somewhat ironic that it was the conservative U.S. President George W. Bush who called the first G-20 leaders meeting. Yet by September 2008, it was clear that the G-7 (or G-8 with Russia) was no longer capable of responding to the crisis alone. The participation of leaders from emerging economies was now necessary.

Just as there was a need to bring a new institution to life, there was also a need to forge an active consensus on how to respond. Upon reflection, it is remarkable that U.K. Prime Minister Gordon Brown's leadership of the G-20 was able to provide such a clear and concise response in March 2009. The London summit he hosted helped the world avoid depression, creating a consensus on the need to immediately revive the economy with new capital flows. It took just 30 minutes for the G-20 to agree to raise International Monetary Fund capital reserves from \$250 billion to \$750 billion.<sup>1</sup>

It was at the next G-20 in Pittsburgh, however, when this consensus began to unravel. Differences in strategy began to emerge, and the lack of a common progressive vision became apparent. While President Barack Obama stressed the need to revive the economy through investments similar to President Franklin D. Roosevelt's approach in the New Deal, austerity politics had begun to take hold in Europe. European social democrats had lost the argument.

Looking back, it is hard to determine why the progressive collaboration that seemed so obvious in Florence and Poznan was not possible after the crisis. Why did progressives not use the crisis as an opportunity to have their say?

In September 2000, President Bill Clinton and I had a conversation at the U.N. General Assembly in New York. By then, he already suspected that progressives were beginning to lose the argument. I found it hard to believe that George W. Bush could be set to defeat Al Gore. President Clinton himself had already snatched the classical Republican flags of balanced budgets for progressives. Over the course of his presidency, he had proven that progressives not only took macroeconomic matters seriously, but moreover that we were better at delivering on them. He, alongside other leaders from the progressive governance era, had illustrated that true social democrats were not populists and that we did not believe in shortcuts. On the contrary—as Wim Kok, the former prime minister of the Netherlands said—we believed in hard work, which is very different.

Seven years on from the global economic crisis, we should not be surprised that there has still not been a full economic recovery. A full recovery would have required an

“  
**The global financial crisis, like the fall of the Berlin Wall before it, necessitated a rethink of progressive politics.**  
”

“  
**A full economic recovery  
from the crisis requires an  
unequivocally progressive  
response and new leadership.**  
”

unequivocally progressive response. Looking ahead, we must hope that a new generation of European progressives, led by Italian Prime Minister Matteo Renzi and French Prime Minister Manuel Valls, will succeed where others have failed. For if they fail, less-responsible populist leaders have shown they are waiting to seize the opportunity.

Renzi and Valls, like Prime Minister Justin Trudeau in Canada, are right when they emphasize the need to focus on growth to reduce inequalities and, in particular, to pay down the tremendous deficits that have accumulated through economic stagnation. It is a paradox that countries that only a short time ago were held up as an example of good governance—for example, Spain—had to incur large fiscal deficits to save the financial sector and now encumber their entire population with insurmountable debt. This is a serious failing of the social democratic response to the crisis, one that now challenges the legitimacy of democratic institutions themselves and that feeds the anger and alienation of a dangerous populism on the extreme left and right. It is time for a new approach in Europe.

Similarly, in Latin America, the answers of yesterday are also not an effective response to today's challenges and those of the future. Over the past 20 years, Latin America has seen profound changes in its economy and its social fabric. Chile is an eloquent example. Between 1990 and 2010, not only was democracy consolidated, but the proportion of people living in poverty fell from 40 percent to just 10 percent. During the same period, gross domestic product per capita raised from approximately \$5,000 to \$20,000, with only a slight increase in the levels of inequality.<sup>2</sup> A new emerging middle class—with ample access to credit and higher education but also highly indebted—has developed. The same is true in Brazil, Peru, and many other countries across the continent. This new and emerging middle class is an opportunity for the region and the globe. It provides a new consumer base for local and international goods and services. But if progressives don't provide good answers to their need for better public services and continued economic growth, this opportunity may be lost.

Across the globe, then, there is a world of new challenges ahead; new challenges that can become opportunities with a new way of thinking. As we have done before, progressives must once again lead the way with new analyses and new ideas. It is time for a new generation of progressives to answer the eternal questions of how to deepen democracy, achieve greater social justice, and ultimately, how to build an inclusive society that ensures the dignity of every human being and wherein everyone has their place in the sun.

A handwritten signature in dark ink, appearing to read 'Ricardo Lagos', with a stylized flourish at the end.

---

## Endnotes

1 *The Economist*, "The IMF: Mission: possible," April 8, 2009.

2 U.N. Economic Commission for Latin America and the Caribbean, "Statistical Yearbook" (2014).